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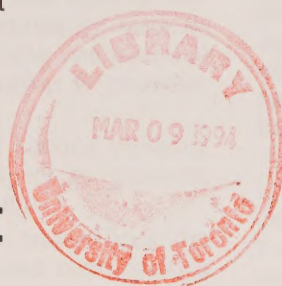
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Official Report of Debates (Hansard)

Tuesday 8 February 1994

Journal des débats (Hansard)

Mardi 8 février 1994

**Standing committee on
public accounts**

**Comité permanent
des comptes publics**

Annual report,
Provincial Auditor, 1993

Rapport annuel de 1993
Vérificateur provincial

Ministry of Community
and Social Services

Ministère des Services
sociaux et communautaires

Chair: Joseph Cordiano
Clerk: Todd Decker

Président : Joseph Cordiano
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STANDING COMMITTEE ON PUBLIC ACCOUNTS

Tuesday 8 February 1994

The committee met at 1010 in the St Clair/Thames/Erie Rooms, Macdonald Block, Toronto.

ANNUAL REPORT, PROVINCIAL AUDITOR, 1993
MINISTRY OF COMMUNITY AND SOCIAL SERVICES

The Chair (Mr Joseph Cordiano): Again this morning we have before us the Deputy Minister of Community and Social Services and her staff. We will proceed where we left off yesterday with Mr Hope's question, and we await response from the deputy.

Ms Rosemary Proctor: The question that was put, if I can sort of go back, was around the whole issue of how you know which services particular community agencies are providing within the mandate and how you plan and budget with those agencies in relationship to priorities and so forth.

Heather Martin will talk about the service planning approach the ministry uses with respect to planning services and budgeting with organizations.

Ms Heather Martin: Through the area offices, the agencies that we fund negotiate a service contract with the ministry which specifies the level of service they intend to provide and the number of clients they intend to serve with the dollars that they are getting. That's a contract between the ministry and the agency.

The ministry also uses a services approach to funding, which means that an agency can contract for more than one type of service. You could have an agency that is providing a child and family intervention service, a child welfare service etc. Through the service plan, they contract for the level and volume of service that they intend to provide. Our primary budgetary contract that we have with an agency is through the service planning process.

For CASs that operate on a calendar year from January 1 to December 31, their service plans are due by the end of February. For other children's services providers, their service plans are submitted before the end of March.

The Chair: Mr Hope, do you have a follow-up?

Mr Randy R. Hope (Chatham-Kent): No, I'll just continue later on when the round of questioning comes back again. I'm just following up the work that legislative research has done.

The Chair: We'll proceed with 15-minute rounds. Ms Poole.

Ms Dianne Poole (Eglinton): I'd like to take a look at the policy framework, which I gather was distributed in April of last year, so it's been some nine or 10 months since it was widely distributed.

You have set out in the first several pages the directions for the ministry in the area of children's services. I'd like to specifically talk to you about a couple of areas. One is the equitable distribution of resources.

The ministry makes a rather telling statement in this document by saying, "Currently, funds are distributed on

the basis of historical precedent rather than on assessment of need." Could you tell me what steps you have taken to reverse that traditional and historical allocation of dollars to in fact assessing the need and ensuring that the dollars are supplied on the basis of need?

Ms Proctor: Certainly. I'd be happy to, because the whole question of the distribution of resources and the issues of equity are very thorny ones from the point of view of managing the budgets in the children's services area. As the Children's Services Policy Framework points out, we do have a situation where the pattern of the distribution of budgets is really based on the history of agencies, and those organizations which have been in existence for a longer period of time, which have grown, have had a larger budget base to start with, on the one hand.

On the other hand, there's really the question of, what is equity? One of the things we're trying to address in the context of the children's policy framework is, how do you define equity and an equity basis for funding in a more meaningful sort of way?

Those conversations and that discussion really revolve around thinking about equity in relationship to the child population and the base in whatever catchment area you're talking about, for example. But it also adds other issues such as the risk factors and the nature of the population, the poverty, any number of risk factors that the children in that particular community might face. That needs to be added into any kind of equity formula.

A third set of variables that's brought into the conversation has to do with the cost of delivery of services; that is, services that are delivered in a geographic area that is very widespread can cost more on a unit basis than in a more densely populated area, for example. There may be economies or efficiencies of scale associated with larger agencies than with smaller.

The question about what is equity is not one that's really easily defined past the surface of it in the sense that it gets into a fairly complex conversation. Whenever we begin to talk about a more equitable distribution of resources, it becomes apparent that when we work towards a redistribution, there are some winners and there are some losers, so we immediately get into a conversation about who might lose as well as who might gain.

But I think we do face a really serious issue in the sense that in particular the areas around Metro that are the faster-growing suburban areas have been pointing out quite seriously for some time that in the distribution of funding, their population growth has surpassed the distribution of resources.

When the ministry had some additional new resources a few years ago, we were able to use some of those to distribute to communities or to areas that needed to have their equitable distribution of resources. So there could be some targeting of resources to areas that could be con-

sidered underfunded, especially because of the higher population growth.

At this point we are trying to address the whole question of the equity of funding in a more structural way, and we're using the children's policy framework for that kind of conversation so that we can engage the service providers and the agencies, the umbrella associations, in helping us come up with a solution that people would be able to work within.

I'd like to ask Peter to speak a little bit to the process of the work on that.

Mr Peter Gooch: The policy framework project, as I mentioned earlier, is intended to support the implementation of the policy framework. What we've done is set up six working groups, one for each one of those directions that are laid out in the policy framework. The working groups see us sit down with representatives, put on those working groups from the provincial associations like the Ontario Association of Children's Mental Health Centres and various other provincial associations.

The funding working group decided that equity was the most important issue that it dealt with, and the ministry accepted that recommendation from that working group. They have been working hard to review the literature, to review the research, to look at the ministry's current allotments and to come up with some recommendations for the ministry.

They haven't finished that discussion. The deputy alluded to the complexity and difficulties of it. One of the issues that working group is struggling with is that progress towards equity in a time when resources are expanding would be complicated enough and contentious enough, but in an environment where resources are shrinking, it becomes even more acutely problematic to start moving dollars around at a significant level in the system.

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They have come up with some analysis. There's a background paper that they've done that has been sent around the province, and we are getting some very pointed reaction to that. Where our analysis shows that we may want to take resources away from communities to achieve a level of equity, of course there are very major issues raised for us.

What I can tell you is that within a very short time, within a number of weeks, probably by the end of March, the working group will have delivered to the minister a set of recommendations and a comprehensive analysis of the issue, and then it really becomes up to the minister to look at the implications and to make some decisions. I can't anticipate or predict what those decisions will be, but at least they will be a platform from which a reasonable decision can be made.

Ms Poole: When attempting to determine equity and developing this process, have you set out an action plan with specific time frames?

Mr Gooch: Not yet. The working group has not thought about this in the abstract. In the recommendations I know that what they'll be saying is that we need to take a long-term approach towards a more equitable allocation

across the province. It's not something that can be done in one fiscal year or even three fiscal years.

So they'll be recommending a staged approach and they will also be recommending progress no matter what our fiscal environment. I think that one of the recommendations that will come from that group is that obviously it's best if it's possible for us to find some new resources to apply to this problem. Failing that, they will be telling us that we should be making progress even in a constraint environment if that means we have to apply constraints differentially. They will be suggesting to us some implementation principles. I don't think they'll go as far as giving us a timetable, but they will speak to that issue.

Ms Poole: The deputy mentioned some of the factors that are going to be taken into account when determining equity, such as the demographics of the child population. I think geographic reasons were another factor, the risk factor for that particular area. Would you be looking, for instance, at the waiting list for children's services in a particular area as a factor of whether they were getting an equitable share of the resources?

Ms Proctor: Peter, I'd like you to just respond in terms of specific issues. They've looked at the waiting lists, but I'd also like to address the waiting list issue in another aspect of the work that we're doing in the children's policy framework as well.

Ms Poole: Just before you do that, let me just tell you why I asked that question. Yesterday, when you were talking about the waiting list, you did confirm the auditor's observation that really you have no idea how many are actually on the waiting list, that there are duplications, there are children registered in several different jurisdictions or different agencies. When you talked about what you were doing about that, I believe in your opening remarks, Ms Proctor, you said, "What we are trying to do is to reduce the waiting list."

There was no talk about centralizing the list so that you actually had a good handle on how many children out there are in need and waiting for service. There was no talk along that line. It was all, "Our efforts are going to be in making sure that we can provide as many resources as possible." So that's the context in which I ask the question in determining equity. If you don't know what the waiting list is, how could it really be a factor?

Ms Proctor: To speak to that, the question of the waiting list is difficult to measure in terms of equity just because, as you say, the number of children who may be on waiting lists, the consciousness that people have of whether there are services available, the parents suggesting a name on more than one waiting list, all of those are issues that make it difficult to know exactly how many children are on a waiting list at any one time.

On the other hand, it isn't very comfortable to know that there are waiting lists and that kids are in need of services and may be waiting for services in situations where the family is experiencing some degree of crisis and the child is experiencing real problems.

So I think what we wanted to try to do is come at the waiting list in a number of ways. I spoke yesterday to development and trying to work with the service pro-

viders and the agencies to use some ways that have been developed in other places and tried and tested to provide more effective service, to reduce that waiting time.

For example, the whole question of doing a brief intervention, the whole question of treating the waiting list, that group of families and children who are waiting for some service, as an intervention group in itself has been shown in studies to be effective, because rather than just saying, "You're waiting until a therapist is available," you can actually spend time with that group.

The other thing that the local area offices are trying to do, as they plan with service agencies, is really to try to help people think, how can we be more conscious together of who's on the waiting list in a particular community and prioritize the need for service? It's not very effective to do that when it's this agency doing it and that agency, but rather something that needs to be dealt with in that whole question of the integration of agencies and agencies cooperating together.

You can imagine a situation where intake or assessment for services is handled more specifically by one organization or another, and people are referred to services so that they aren't having to be on several waiting lists and there's a better way of prioritizing services.

Ms Poole: Are there any plans in the offing to do that type of thing, as I said, to centralize the intakes so that you know exactly what the need is out there?

Ms Proctor: I think I would like to ask Sue to speak to one of the pieces of that work that's going on in northern Ontario where the three ministries are cooperating—the Ministry of Education and Training, the Ministry of Health and the Ministry Community and Social Services—on the question of assessment and referral for services. Then Heather can speak to I think the experience in the Hamilton area where agencies are also working together to try to prioritize and manage that whole business of access to services more effectively.

Ms Sue Herbert: What we've tried not to do in the ministry is assume that there's one model for coordinated access that will work across the province. Instead, through the framework, what we're saying to communities is you need to develop a way to coordinate access and waiting lists that works for your community.

Across the province there are some very formal models of coordinated access. ISNC, which is the integrated services for northern children, is an approach to service delivery in isolated communities in northern Ontario that takes the Ministry of Health, the Ministry of Education and Training, the Ministry of Northern Development and Mines and ourselves and puts teams of people in communities that coordinate services across all the ministries and coordinate access to those services.

In other parts of the province we may have a coordinated access project that looks quite different and in other parts of the province we have nothing yet. So there's a real attempt to try to move communities towards coordinated access in a way that works for whatever their own community needs and geographic issues are.

Ms Poole: Is that an isolated project, though? Are you

doing it as a pilot project or is it just a particular strategy for dealing with isolated communities in northern Ontario?

Ms Herbert: In northern Ontario it's quite a well coordinated project and it's been in place for a number of years. We have other places in the province, Hamilton being an example, that have also been in place for a number of years. There are communities that are moving towards coordinated access and there are other examples. Peter, you would know from your travels across the province.

Mr Gooch: London is on the verge. It's beginning to implement a model very much like the Hamilton model where you have a single point of access to all residential services or most residential services for children in the London area. Many service providers have come together and pooled resources in order to make a single point of intake.

Ms Poole: What is the ministry's role in this? Are you actively encouraging this, are you promoting it, are you coordinating it? Are you doing work in every area of the province, trying to move the agencies towards this coordinated access?

Mr Gooch: One of the purposes of the policy framework is to move towards greater provincial consistency, and there are significant policy issues. Sue has raised the point that in the past the ministry has taken the position that we should be able to develop mechanisms that are responsive to local conditions and really do respond to what is in communities already and allow some flexibility.

I think that what will come out of the policy framework is, at a minimum, some very good ideas about what's happening in other places in the province that people can emulate. I think we'll see something more significant than that, though. The ministry will be laying out more particular expectations around coordinated access mechanisms and we will be monitoring area offices and monitoring communities to see what progress they've made.

1030

Ms Poole: You mentioned the working group earlier. Was this a working group that would deal specifically with equity or did the working group actually have responsibility for the broad range of plans, or do you have a number of working groups?

Mr Gooch: We have a number of working groups, one for each direction, but there's a steering committee with the same kind of composition, from the provincial associations and OPSEU and CUPE, working with ministry staff to try to look at the project overall and raise just the kind the issue you've raised about looking at waiting lists and access and how it relates to equity and so forth. So there is a way in the project and in the ministry to put those things together.

Ms Poole: Do you have target dates for each of these working groups, when they are to report back?

Mr Gooch: Yes. There's a work plan and we're at a significant stage in the project now where the working groups have been up and running for about nine months

and have delivered a significant set of recommendations and proposals to the ministry.

Ms Poole: And then as far as the various directions in which you want to go, are the time frames for completing the working groups' mandate all the same? For instance, are you saying by the end of March you want all your working groups to have reported back and be giving their recommendations or are some areas more complex than others and would take a longer time to really get the recommendations out?

Mr Gooch: It is complex. You look at the number of directions there and the implications across a large service delivery system. We can't do everything all at once on the same timetable. I think overall we are trying to move in each direction in a significant way. The more work we do the more things start to look a little different. But overall, as I mentioned, we do have a significant amount of work done to date and we are entering a stage where the minister will see the results of that and make some further decisions.

Ms Poole: The attempt to integrate these processes is through the steering committee?

Mr Gooch: Yes.

Ms Poole: I would find it difficult to believe that you could look at each of these directions in isolation because so many of them are connected and it's very important that one group be aware of what the other group is doing and be aware of the whole range of what needs to be done in children's services.

Mr Gooch: That's been a constant struggle. The working groups and the steering committee raised that issue over and over again and we have addressed it. We are aware of the interrelationships and are trying to move ahead in a way that makes sense, as you've suggested.

Ms Poole: I think I'm nearing the end of my time—

The Chair: Yes, I'm being liberal with the time.

Ms Poole: That's appropriate, Mr Chair.

Back in the early 1970s, when I was with Comsoc for those five years, I also spent part of it as a field worker travelling to children's aid societies and reporting on their work and what was happening within the children's aid societies. Paul Siemens, who I believe is still with the ministry, was my supervisor, and Paul Siemens set out a very clear plan: When we would go into children's aid societies and look at their case loads and their specific case files, we were to see if there were goals, objectives, time frames attached, deadlines, all these types of things.

That's why I'm trying to press you to see whether in fact you have this same type of plan in place, because otherwise working groups and committees could go on for ever and ever. I'm really just trying to get a fix on, when do you think that we are going to see the plan put in place and legislation enacted or policy directions, whichever may be required? When do you see this all coordinating, coming together and being finalized? Even if, as you say, some of it would phase in, when are you going to see that happening?

Ms Proctor: Could I say two things about that. Paul, whom we all liked very much working with, retired I

think last fall, so we quite miss him. The second piece is that with respect to the time frames, I've been trying to push the time frames on the children's policy framework along quite emphatically. For example, we requested all of these working groups to produce their initial set of recommendations by last fall.

Since then there's been an exercise in which the staff who are working with the project have been having further discussions with area offices in the field about these recommendations from the point of view of really saying: "Does this help reflect or is this useful in respect to the work that you're doing now, locally planning? Is this sufficiently practical and doable?" We're asking ourselves some fairly tough management questions about this: Can people actually do this or is this recommendation perhaps too abstract and that sort of thing?

The intent would be then to do an assessment of where we are and to go back to the working groups and to have another iteration. I would say that by the spring, that means we would be in a position to give our field and agencies some further direction arising out of the working groups as to our expectations, and we will also see further work going on to define some of the tools more effectively.

For example, one of the pieces that's being developed out of the working groups is just that whole question of expecting agencies and organizations to do assessment of children's needs in a more consistent way rather than repeat assessments. Then what that means is you set yourself the challenge of figuring out what should be the most effective way and getting everybody to agree to it.

So we're working towards the principle that everyone should be using a similar approach to assessment, kind of reducing the number of potential approaches to assessment, and then we will be working with the organizations to be much more emphatic about the need to do that. People tend to be wedded to their particular approach and so that whole business of saying no, this is our new set of expectations in building that into contracts and doing the follow-up work, will take some further amount of time, quite honestly.

Mr Noble Villeneuve (S-D-G & East Grenville): First of all, coming from a riding close to the city of Cornwall, I want to thank your ministry for having provided some therapists and some counsellors to our school boards. The situation out our way economically was very, very depressed and we had many children who had suicidal tendencies and what have you, and it was most appreciated when you were able to come in with some funding. We've got to give credit where credit is due here.

Mr Hope: Thank you. We appreciate that.

Mr Noel Duignan (Halton North): Now comes the "however."

Mr Villeneuve: No, no. I am not an expert at community social services. I was amazed to see some 200 non-profit agencies providing services. That would be that every children's aid society would be a group? I just want to get a handle on—

Ms Proctor: On the numbers?

Mr Villeneuve: Yes. What are they? Who are they?

Ms Proctor: Who are they? In fact, this program that was audited and that we're referring to, child and family intervention, is not the same as the children's aid societies. They are counted under the child welfare programs. The child and family intervention programs are a whole range of residential and non-residential services that are provided in different communities. Heather will speak to the range of those different kinds of agencies.

Mr Villeneuve: Give me a typical non-profit agency. What is that?

Ms Heather Martin: An example would be a maternity home, a program that is providing services to teen mothers, pregnant teens and/or their children. That would be an example of a CFI agency. Another example would be a children's mental health centre which is providing a range of residential and/or non-residential services.

Residential services would be where the child is actually in the care of the agency for 24 hours a day for a specified period of time and may be getting some very specific counselling to deal with a behaviour problem that he's experiencing or a problem that he and his family are having and he needs to be out of the home.

The non-residential services could be individual counselling for a child. It could be a day treatment program where the child actually comes to the program during the day. There might be a special school program that's affiliated with that, so he gets his regular educational requirement met, but he is also getting some very specific counselling and/or therapy from a psychologist or play therapy, that sort of thing.

Mr Villeneuve: When you mention child, is there an age range here that we're dealing with?

Ms Heather Martin: Yes, there is an age range. It's the same age as children who are covered under the Child and Family Services Act, so it's children up to the age of 16, and in other instances, where the child is in the care of a CAS, it would be 18.

1040

Mr Villeneuve: I also found interesting here the Young Offenders Act, the summary of principles. I have a little problem and maybe you could shed some light on it. It says here, "...the expectation that young offenders will bear responsibility for their actions, although not in the same manner or to the same degree as adults." What does that mean?

Ms Proctor: That is the wording in the federal Young Offenders Act.

Mr Robert V. Callahan (Brampton South): It means they get away with murder is what it means.

Ms Proctor: It sets out the expectation that the Young Offenders Act is to deal with young persons who commit offences, that they require supervision, discipline and control, but because of the state of dependency and level of maturity and development, they have special needs and require some additional guidance and supervision. Young people bear responsibility for their behaviour, but—

Mr Villeneuve: But to a lesser degree.

Ms Proctor: But not in all instances are they accountable in the same manner as an adult. The question is whether you're treating a child at the age of 12 in the same way as an adult at the age of 22 or whether you're providing a different approach. The principles of the Young Offenders Act set out an approach, that is, the accountability of the young person. At the same time, the young person is not treated under the YOA in the same way as an adult offender would be treated.

Mr Villeneuve: It's going to lead into some questions regarding student welfare. That is a major problem in my opinion, based on the feedback I get from parents, who in my opinion are pretty decent, good parents, yet the child has flown the coop, is on his own and being funded by the government. I have a problem with that, but we'll get into that later.

Again in the summary of principles: "Recognition of the rights and freedoms of young offenders, including those stated in the Canadian Charter of Rights and Freedoms or in the Canadian Bill of Rights; a right to participate in the process that leads to decisions that affect them,"—I want some light shed on that—"and a right to the least possible interference with freedom that is consistent with the protection of society." That leaves a pretty wide-open field, and I think there are some abuses.

Ms Proctor: The issue of the principles of the Young Offenders Act, again with respect to the right to participate in decision-making, to protect the rights of the individual, part of those rights are also protected with respect to access, to ensure access of the young person to a lawyer or to an advocate who can speak on their behalf, and their right to be informed about the proceedings and so forth that affect them.

The other aspect I think is that the engagement in decision-making is a question of treating or dealing with the young offender in relation to the control of behaviour, the changing of behaviour, the whole question of the consequences of behaviour. Young offenders' programs try in a different range of ways, and Dale wanted to speak to this a bit more, to engage the young offender in understanding the consequences of actions, and in the group, the consequences of actions and the responsibility they bear for their behaviour.

Mr Villeneuve: I know in many instances where student welfare is accessed, the responsibility of the student, the person who is accessing the welfare, and the parents' responsibility, the parents seem to have very little to say about some of these things. As I told you, I see some of these parents as pretty decent people, and the responsibility aspect of it to the young person I don't think is heavy enough.

Ms Proctor: I apologize. I didn't really address the question about student welfare. I need to start to separate, because the whole question of students or young people who are receiving welfare is not part of either of the programs that were under discussion.

Mr Villeneuve: I realize that.

Ms Proctor: It's not the YOA and it's not the child and family intervention.

Our policy with respect to young people receiving general welfare assistance is that young people should only be eligible for welfare if it is not safe for them to be in the family home.

I'm very conscious that there are concerns raised across the province about the issue you're alluding to in terms of access to welfare for young people. It is an area where we are asking our field offices to do a further look in terms of eligibility and so forth, just to have another review and to ensure that those cases or situations where young people are receiving welfare do fall within a tight definition of the policy, which is the safety and wellbeing of the young person, rather than more generously interpreted, if I can put it that way.

It's important that welfare in these instances can also be the responsibility of the municipality that's delivering and not necessarily of the provincial delivery system. It is an area that we've asked people to go back and have a closer look at, because of the kinds of concerns that you're raising.

Mr Villeneuve: We're told by the people who work for your ministry that the time is just not there for them to do the investigations that they would like to do.

Mr Hope: Mr Chair, are we having a discussion about general welfare or are we having a discussion about children's services and also intervention? I'm just curious about the discussion that we're going on with. We seem to be going on to a discussion of general welfare. If that's the discussion we're going to be on, then so be it, but I thought the auditor was specific in what work he had done and Anne was specific in what work she'd done, and I don't remember ever seeing anything in the briefing that was done about general welfare.

Mr Villeneuve: It's young offenders that we're talking about.

The Chair: If I may just say that in the discussion I grant a little latitude in terms of the range of questions that are being asked, but generally speaking, we're in the area that we want to be in. I think it's permitted to ask questions that are a little broader in their scope.

Mr Hope: A little broader is what your comments were and I just refer you to that.

The Chair: I'm not going to rule on it. I don't think that's out of order. I think it's within the general confines of what we're discussing and I think it's permitted. Please carry on, Mr Villeneuve.

Mr Callahan: It's called freedom of speech.

Mr Villeneuve: I will be tying this back up to 24,100 young offenders who were admitted in 1992-93. Some of that would relate back to how many of those were possibly student welfare cases, that type of thing. It's of concern and I think it's all part of a problem. Student welfare is brought to me so many times, and possibly it's an area that the auditor should look at to provide some leadership to ministry officials and to the public at large.

Mr Hope: He already did one.

The Chair: Mr Hope, Mr Villeneuve has the floor.

Mr Villeneuve: Okay, 24,100 annual admissions, 1992-93, young offenders' services. How many of those

would be repeat? Have you any idea?

Ms Proctor: I'm just going to ask Dale to speak to our sense of that in terms of the numbers, and you may want to speak to the tracking system.

Ms Dale Elliott: Our ability to talk about recidivism has really only come to us recently, since April 1991. We now have the automated young offender information system, which is really the kind of system you need to track long-term repeat offenders. So we're on the way to wanting to be able to produce reports about that over a two-year period to see what that looks like.

What we can talk about are Canada-wide stats in general around recidivism for young offenders. In 1990-91, the federal government looked at recidivism among young offenders and basically noted that approximately one third of females were repeat offenders and approximately half of males. So that's a broad sense there that there are enough repeat offenders that they cause concern.

Mr Villeneuve: It's a serious problem. I see open custody here. Again, could you walk me through what open custody is? What would that young offender have done in a typical situation to be in an open custody placement, a secure custody placement, and then when we get into it, open and secure detention? Just give me an example. I must plead a great deal of ignorance here.

1050

Ms Proctor: It's quite fair. I'll ask Dale to explain the differences and the relationship to the types of outcomes for the young offender.

Ms Elliott: In general, the dispositions range from least intrusive to most intrusive. The Young Offenders Act sets out that range of dispositional opportunities for the court to choose. The least intrusive would be alternative measures. What we talk about is an approach to proceedings other than formal court proceedings. The crown attorney would be involved in assessing the charge. There is a list of charges that the Attorney General in Ontario has identified as eligible for alternative measures.

Mr Callahan: What are they?

Ms Elliott: I would have to provide that for you at a later time. I can certainly provide that. The list is too long. They tend to be the less serious offences, so criteria provided by the Attorney General who developed a model for Ontario which we then implement.

Mr Villeneuve: Would that be shoplifting?

Ms Elliott: Shoplifting would be an example, yes, a minor theft, a theft under \$1,000. So alternative measures as a least intrusive. Then you would move up to probation and community services, which are dispositions where the youth remains in the community and is under the supervision of a probation officer and/or is completing community service or a service to a particular victim or making restitution or paying a fine.

Open and secure detention, as we talked about yesterday, is custodial care, but it's where the court has not yet given a disposition. The court has deemed that the youth will be detained in residential care and not in a community, pending making its disposition. The court gives a detention order, or an example that came up yesterday, if

police apprehend a youth in the middle of the night and the circumstances are of such a serious nature that they would not release the youth back to his home, that youth would go to a detention centre pending a court appearance the next day.

Then the court has available open and secure custody. These are dispositions which have a specific time length. The court sets that it's open or it's secure and puts a time length on it. That's a disposition which we then, as the service delivery ministry, implement.

Open custody: very generally, in your area, I'm not sure if you're aware of Laurencest, which is one of these transfer-payment non-profit agencies in the community. They provide open detention and custody in your community. They have a volunteer board of directors, they have staff, they have a facility. I think they have 10 beds. I'm not completely sure.

Open custody is community-based. It would be a group home or a children's mental health centre or a wilderness camp, that kind of thing. A typical youth may get open if perhaps they've already been on probation previously or if the offence is serious and the court determines that this youth should not have access to the community.

Secure custody again would be community-based facilities, but these facilities have much more ability for physical containment. These are the facilities with locked doors, with fences, like a Syl Apps, like the list of facilities that we named yesterday. They are recognizably different in their ability to provide security. With secure custody, the Young Offenders Act again provides specific criteria for the judge in imposing a disposition of custody that must be met. Again, that relates to seriousness of offence, previous history.

The court uses all of those criteria in the Young Offenders Act, plus assessments and recommendations by probation, plus comments from parents, plus victim impact statements, plus other assessments, school board information, to basically come up with the disposition for that individual youth.

Mr Villeneuve: The involvement of parents I think is very important in those areas where the parents care. I think in many instances the parents do care, but sometimes they get left behind because we have so-called professionals—they are professionals—and I guess maybe parents are not easy to deal with at times when the pressure's on and their child has strayed.

Again, I come back to parents who say, "This happened to my child and I've lost control and, really, I think I know best." What's the involvement of parents? It's a very broad question.

Ms Proctor: It is. Can you speak to that, Sue?

Ms Herbert: If I start at the broadest level for the ministry, we are trying to involve parents more and more in decision-making, not only for their individual child but in policy-making. I was just talking to Peter. He was out last night meeting with a group of parents in Waterloo.

Mr Villeneuve: That should maybe be in the summary of principles because the kid is lord and master of his or her destiny and sometimes they're just a little young and it's not in their best interests.

Ms Herbert: Yes, I think you're right when you use the term "the professionals." I think sometimes professionals are intimidating without necessarily meaning to be. I think we really have to let parents feel that they have the right to put their opinion on the table, both about their own child and about policy directions the government's taking. In the policy framework we've made a really strong attempt to have parents involved. We use the bureaucratic jargon "consumers." Parents are consumers of the system. At that level we've really tried to involve parents.

When we get down to particular issues with particular children, I think the struggle for a lot of parents is they've got a 16-year-old on their hands or a 17-year-old and he has rights in law. They're at that point in their development where they have some ability to be independent, and the parents are not sure how independent they want their child to be. It's kind of that eternal struggle.

For us, in our programs, we try as much as possible to listen both to parents and to children. The older the children are, the more rights they have under law. The dilemma becomes, for people in the service systems, how do you balance both parents and kids and what the legal issues are? I don't know, Dale, if you want to talk about how we try to involve parents in decision-making in YOA.

Ms Elliott: Sure. I'd just maybe like to go back in reference to the list of principles. The Young Offenders Act principles, which is federal legislation, which is the piece in there, certainly came at trying to give parents and family their role by the principle that parents have responsibility for care and supervision. Provincially, through the CFSA, we also enshrine that in a principle that we've developed which respects family integrity and autonomy. So from both legislative bases those principles are foundations of what we do.

Certainly, with young offenders both the legislation and our policy and procedures require that at minimum parents have an opportunity in the reports we prepare to have reflected what they have to say, not our interpretation of it. So a predisposition report that may go into court has a section for the parents to at least state and reflect and be represented. That may differ from the individual worker's assessment of how it all comes together and what that means, but we certainly do try to involve them.

In plans of care that are prepared for all young offenders, and in fact all children in residential facilities, the requirements are, again, involvement of parents and involvement of youths in contributing to the content of those plans, identification of goals, who will work on what. Those are provided for people. You're right, those ups and downs and variances happen in a field of working with people and families and emotions in stressful situations.

The Chair: Thank you, Mr Villeneuve. We've run out of time. Ms Haeck is next on the list.

Mr Hope: Joe, you didn't listen last time. Go ahead. Put me on after her, please.

Ms Christel Haeck (St Catharines-Brock): I'm very

happy to share my time.

The issue for me is around the integration of services. In Niagara we have something called the Niagara Children's Service Committee. I have been given to understand that it is one of the first in the province to undertake planning of social services to children in particular and that it's actually still one of the few in the province.

One of the concerns that I would have is what you might be doing to encourage other regions, districts or counties to look at the integration of service or the planning of services in a way that the Niagara Children's Service Committee would do. They're looking at all kinds of child welfare issues, poverty being one of their biggest ones, but I'd be interested in your comments on that subject.

1100

Ms Proctor: The Niagara Children's Service Committee is certainly one of the earlier formal groups in the province. I think it was established in about 1977 or 1978, or somewhere in there. There are similar groups in quite a few other communities and there are also other planning processes that most counties, areas, communities, a natural catchment area would have and that the ministry area office would work with to plan the local service.

I'd like to ask Peter to speak to the kind of structures that we have now and this whole question of how local planning unfolds. The participation of service providers and the users of services in that planning process is very critical to us as we work locally to try to integrate services and help services develop in a way that meets those legal needs.

Mr Gooch: I assume that when you were referring to the integration that you saw in Niagara, you were talking primarily about the cooperation between the services that are funded by this ministry and school boards and district health councils?

Ms Haeck: That is one, looking at the services that are out there, getting the different players to sit down and talk, to do the short-term and the long-term planning to try to deal with issues around duplication or assess what needs there might be and therefore provide maybe a mechanism to start a new service or to plug that hole, recognizing what gaps there may be in service delivery.

Mr Gooch: I want to reassure you that everywhere in the province there are planning groups. It's very unusual for them not to involve a very broad range of players at a community level. Certainly families know that they're trying to get services from their school boards and they're trying to get services from health practitioners. The planning groups that this ministry funds or works with to plan our services almost always include representatives of school boards and whatever cooperation they can get from local health practitioners and so forth.

We've seen policy coming out of the Ministry of Education, the Ministry of Health and this ministry. Our own policy framework, which we sent around yesterday, underlines the need for that kind of comprehensive involvement at a local level. It happens. That range of services is looked at together.

You made reference to the Niagara group. There are many other groups across the province that have a similar history. They started around that time, out of the same initiative, like the York region group. Sue made reference to the Hamilton group, which also has a very long history. We also see groups that are brought together by the area office and are given some funding for a small staff, or we see social planning councils that are funded by the United Way. There's a variety of ways that planning groups have come together and are supported through funds, but everywhere in the province we have them. As I mentioned earlier, they are working with our policy framework in a very active way.

Ms Haeck: I obviously have been under a misconception. I don't know where I got that piece of information, but it was touted as being one of the few in the province. You've disabused me of that particular notion.

Ms Herbert: Just a point of clarification: I believe the Niagara group was one of what was originally called CSCAGs: children's services coordinating and advisory groups. It is one of the few that are left that operate under that official title.

Ms Haeck: I see, okay.

Ms Herbert: But there are other planning groups across the province. I should be clear with you that yes, you're right, as a formal children's services planning council there are I think about four or five of them yet across the province.

Mr Gooch: I'm not sure of the exact number. Just to give you a sense, there is a provincial council of coordinating and advisory groups for children's services and there are at least 30 planning groups on that mailing list. I've gone out and visited planning groups that aren't on their mailing list. I think you'd be very hard pressed to find a county in the province that doesn't have a planning group with that kind of broad representation.

Ms Haeck: I know our social planning council has a somewhat different focus. I was in fact on the social planning council for a while before I was elected. Definitely we looked at a range of issues. Housing was definitely still very much a major focus. Definitely housing for youth is very much still on their agenda.

It was interesting to see the separation of concerns, not to suggest that the social planning council might not be interested in that, but the fact that there was this other group with some regional government support, and definitely participation of a lot of players would be there and had provided that sort of competent direction for some time.

I'm also interested in your discussion around the interministerial discussions. This is not something new to the various ministers of Health we've had in this province in the last three and a half years. I am very concerned around how statistics are gathered on what services are needed in the catchment area of Hamilton-Niagara, so that when you're looking at providing, say, speech therapy for a Down syndrome child, you still have a lot of slogging to do. I realize that's not part of the issue for discussion today, but we could probably have much further discussion on how some of these things are

determined. But that also, I guess, gets into how you collect your statistics and how these things mesh with the different ministries, because I think that there is still a feeling by the public at large, and sometimes it's confirmed, that the left and the right hand don't necessarily know what they're doing. How you collect your statistics may be different than Health, and when you're dealing with some of the issues that the auditor has flagged, I guess my question would be, how do you collect them and how do you work with those other ministries to plan some of those services?

Ms Proctor: I'm going to ask Sue to respond to that range of issues.

Ms Herbert: That's a large range of issues.

Ms Haeck: I realize that.

Ms Herbert: I'll start by just talking a little bit at the corporate level, at the interministerial level. There is an assistant deputy ministers' committee between the ministries that meets on a regular basis. One of their responsibilities as a group is to make sure that our planning processes are consistent and that we identify and prioritize problem areas between the three ministries that affect client services. In fact, the issue that you put on the table, the speech therapy issue, is a priority area for that group. There's work being done by a staff group.

Ms Haeck: I'm glad to hear that.

Ms Herbert: It's an issue across the province, but in particular it seems to be an issue in Niagara, and so that has been a priority policy area between the three ministries, because the schools are also involved in that issue.

On one level you've got an interministerial attempt to try to do policy that is coordinated and crosses the issues across the policy fields. On the other end of the spectrum, at the local level, it's the reason why we have to have local planning groups, because the assumption that everything can be fixed by three large ministries and through three corporate policy agendas is only one piece of the puzzle. The other piece is at the local level.

Ms Haeck: If you talk to my staff, the frustration at times is absolutely extraordinary. On the speech issue, we could spend the rest of the day talking about how to get services for a five-year-old. It has been an extraordinary problem.

Ms Herbert: We could probably give you an update outside of—

Ms Haeck: Sure.

Ms Herbert: We'd be pleased to tell you just where that policy work is, because the work is being done. It's a little outside of the audit, but I'd be glad to update you.

Ms Haeck: I think it addresses some of the issues.

Ms Herbert: Yes, it does.

Ms Haeck: Do you collect your statistics or do you deal with this sort of information-gathering in the same way that, say, Health does? Do you use the Hamilton-Niagara catchment area or do you do it much more specifically, to Niagara and Hamilton being in another bailiwick, or do you put in Haldimand, Norfolk, Niagara? It gets to be quite interesting trying to see how they all overlap, and we're probably all sitting here wondering

sometimes how this is done and then therefore how do you end up supplying the service delivery, because it isn't always so straightforward.

Just to bore my colleagues even further, as a result of the Hamilton-Niagara situation in Health, because Hamilton has a teaching hospital, basically Niagara, as far as I'm concerned, is an underserved area. If you're living in Fort Erie and you're a senior, good luck. It is not an easy situation. So you begin to ask the question, how does your ministry do it?

I have some concerns on how Education is doing it. We're always sort of butting our heads on, how are you getting that information and how are you providing that service, because obviously there are anomalies in the system, and how can the system be made to provide that service?

Ms Herbert: The simple answer is the description you've just put on the table, which is that in fact the ministries at a local level have different catchment areas and different ways of collecting data.

1110

One of the purposes of the planning framework that Peter talked about is, at least in the children's area, to bring those players all to the same table and to begin to restructure, at a local level, boundaries, information-gathering and some understanding of how all of that fits together for a child and the child's family at the local level. So that's one of the purposes of the children's framework.

It's going to take, at the same time, for us at a policy level to integrate our policy discussions as well. I think we've moved some way down that road. We're going to have to keep both a kind of formal policy agenda and the local level planning piece moving at the same time. Then we're going to have to prioritize it because the list of areas to tackle is huge. That's one of the purposes of the assistant deputy ministers' committee, to prioritize some key areas. As I said, speech is one of them.

The Chair: Mr Hope was eager to ask a question. You have the floor, Mr Hope.

Mr Hope: Some of the comments that have been made, as I was listening to some of the questioning, were talking about the waiting list for people to access children's services. I know, before being elected, serving on the Lester B. Pearson Centre in Kent county, and I've heard about the children's councils and stuff like that, most of us have been progressive in what we're trying to do.

If I heard you correctly, because I'm just continuing on with the list of questioning here, what you're hoping to do is to get different agencies which deal with children's services to have a central intake system which will allow more understanding of how many children are on a waiting list. Is that what I understood from some of the responses you were giving earlier?

Ms Proctor: I think we want to work at the waiting list question in a number of different ways. One of the issues is clearly being able to understand better the nature of the kids on the waiting list and so forth. But I think the approach that we're trying to take through the policy

framework, and also through local planning exercises, to deal with the issue of children and families waiting for services is really twofold.

One of them is to work with the agencies and the organizations to try to develop the alternative range of services that they can use with respect to waiting lists so that the waiting list period isn't so long; for example, the development of brief therapies, the development of approaches where instead of saying to somebody, "You're on the waiting list to have individual treatment or therapy with a psychologist," actually working with the waiting list families as a group, which has been shown in other studies to be an effective way of helping people deal with some of the problems for which they were seeking services in the first place. So being able to do a number of things that reduce the pressure on the waiting list and provide some short-term interventions and some family preservation programs and so forth that will enable people to deal with their situations.

The other area that we're trying to work on with local communities, and this gets back to the local planning process and the question of the integration and access to services, is really to work with local agencies, work with a range of children's agencies, to talk about what are the different functions of the different agencies and how organizations can work more effectively together so that, for example, you don't have a situation where agencies X, Y and Z each have a waiting list and the same families have their names on each of those waiting lists, but you've got a situation where they're much more coordinated and where the organizations are agreeing that one agency will perhaps maintain the waiting list for all of the services. That way we'll have a better idea of what the pressure for services and the waiting list actually is and more effective ways of dealing with it.

So part of this work around the integration of agencies, the access to services, is really to work with the local organizations so that their service delivery becomes more coherent and therefore they are able to deal more effectively with this.

I think one of the groups in the children's policy framework in particular has been dealing with this question of access to services. I wonder whether you could speak, Peter, to some of the issues there and some of the work they've been doing on the access question.

Mr Gooch: As the deputy mentioned, they have been looking at waiting lists as part of their review of things. They've looked at mechanisms across the province to deal with waiting lists. Again, we'll have to see what recommendations come out of the working group and what level of support the minister will decide on. I think the deputy's done a good job of explaining the variety of ways that you can deal with this through local planning.

Another very important element from the policy framework is priority setting. The policy framework does say what the ministry's priorities are for children's services. One of the ways we'll be addressing that is asking local planning groups to ensure that this range of services really is addressed to that range of children who are the priority. Also—

The Chair: I'm sorry; we've run out of time for that,

if you want to just finish off quickly in terms of your answer.

Mr Gooch: The last point I was going to make is that where we do have coordinated access mechanisms like a single point of access to residential services, it really addresses in a very dramatic way the waiting list issue, because there is only one place to get to at least a particular range of services. The framework really encourages that kind of innovation across the province.

Mr Callahan: First of all, I'd like to ask if you would provide us with a list of the Attorney General's directives as to what types of offences would be amenable to alternative services. I notice in your document, which, to your credit, was produced after the auditor's report—I don't know whether it was in the printing stage before that or whether it was a response, but in any event, you're to be commended, having responded to many of the concerns expressed by the auditor in his report.

At page 13, item 4, you speak of, "In view of the legislative requirements of the CFSA and the policy objectives, four priority groups have been established." The first three actually are pretty standard: kids in need of protection, young offenders. I want to address "children exhibiting early signs of problems." Is there going to be an effort to attempt to identify kids with learning disabilities in some way through this policy early on?

The reason I ask is that many of these kids, particularly in the young offender situation, are kids who are probably out of school. They're not going to be assessed in school. Maybe they haven't been assessed in school; that may be part of the reason they're in the young offenders process, because they had a learning disability and gave up on themselves, dropped out, became antisocial.

That's the first question. I'll ask them all at once and then you can answer them so that Mr Murphy will know how much time he's got to ask questions.

The second question I have is, in these 200 agencies that are out there, are there any standardized qualifications that are required to be an employee of these 200 organizations?

Thirdly, there seems to be a variation in the wages of these groups. Did they have independent authority to set the wages at whatever level they wished without any override or any scrutiny by the ministries providing the funds? I mean, do they just provide you with a budget and so much for salaries and then they have the ability to give whatever they like to these people? That's tied in sort of with the qualifications of these people.

The fourth one is, in the YOA open custody situations, are there YOA kids mixed with kids who are not YOA kids? It would seem to me that if there are, that flies right in the face of the whole philosophy of the YOA legislation, which was to try and keep kids away from kids who have ideas of how to survive in society different than perhaps kids who are not in that category.

Those are basically all the questions I've got, so you can either answer them now or, if you've got anything that you can give us in writing on them, I'd be happy to hear it from that.

Ms Proctor: We'll be pleased to provide information, and there may be some follow-up information that we can provide. But just to work through the list that you've raised, I would ask Peter to speak, particularly to the question of the priority groups and those children who are showing early signs of problems, and with the particular concern that you've raised about children with learning disabilities. You can speak, Peter, to the work of the priority-setting group on that one, please.

Mr Gooch: The policy framework itself recognizes that more policy work needs to be done in this area. We can list those priorities, but we need to do some work to explain what they are and develop the ministry's policy further. The working group has been looking at just the issue you raise: What things about kids or families are strong indicators that they can benefit from early intervention? I know the working group is very interested in the learning disability issue. Part of what they will be developing is some better guidance for the ministry and its service providers about when early interventions are appropriate.

Ms Proctor: I would like to add that this is an area where it's also really important to collaborate with the education system, because most of the expertise around assessing learning disabilities and so forth is in the education system. So, locally, people need to collaborate on that sort of thing. It's also in particular an issue for young children and one of the areas where I think the education system can be in some mutual ways supportive of the preschool programs in terms of the needs of particular children.

You raised a question as well with respect to the qualifications of people who are working in this range of agencies: Are there standards around qualifications? I'm going to ask Heather to speak to that question.

Ms Heather Martin: In the Provincial Auditor's report on CFI, he noted that the agency's employees were meeting the qualifications as indicated by the staffing qualifications guidelines. In 1987, the ministry released a report—

Mr Callahan: I'm sorry, Heather. Is that the numbers, though? Is he talking about having so many staff for so many people?

Ms Heather Martin: He's talking about both. I think the legislation speaks specifically to the number of staff that are required. It is a ratio of 1:8. He is also talking on page 44 about the staffing qualifications. We're in accordance with the educational and experience criteria recommended by the advisory committee.

Mr Callahan: Okay, I misread that. That's fine.

Ms Heather Martin: We can provide you with a copy of that staffing qualifications report if you'd like it, just to get a sense of what the guidelines are.

Mr Callahan: Sure.

The Vice-Chair (Ms Dianne Poole): Mr Murphy, there's about seven minutes left for your questions.

Mr Tim Murphy (St George-St David): I want to focus a bit on the issue of the young offenders part of the auditor's report, and specifically the question of accountability of the transfer payment agencies in that

system. You talked about recidivism and the development of statistics. We actually had a discussion around this issue with the corrections department when they were in as well.

One of my concerns about how we deal with this issue from the broader perspective is how good a job we're doing in assessing how good a job we're doing. In other words, I don't get a sense that we have a real handle on whether the way in which we're spending the money actually works in keeping people from coming back into the criminal justice system.

We had a debate with the Corrections people about whether recidivism was in fact really a useful indicator because of the way in which people escape from the system for measurement purposes, either by going to another jurisdiction—they may in fact be in the system but somewhere else and you can't count that, maybe transfer to a federal penitentiary, all of those problems with controlling your comparators, I guess, to be somewhat academic in the language.

What I'm wondering is, are you intending to develop or have you developed any system that assesses? I'm just looking at the public accounts document, volume 3, and there's a whole page of transfer agencies here. Do you have a way of assessing who's doing a good job with the money for how much money they're getting, and what are the criteria you're using to assess who's doing a good job?

Ms Proctor: I'm going to ask Sue to speak to that. I think that the whole question of accountability and holding organizations and agencies accountable is an area that, as a ministry, we work on and struggle with from year to year. In some senses we set ourselves standards and we work towards achieving those standards and it's sometimes hard to achieve the standards that we set, but we see this as an area that requires a lot of attention and improvement along the way, and when you reach one milestone you keep working at that whole question.

I think we're also particularly concerned with the whole area, and I'm going to ask Sue to speak to the whole way of doing program reviews and accountability with agencies.

We're also very conscious that the social services as a whole has tended to measure inputs to service. We measure how much staff is going in. We measure the resource levels that are going into providing services. We have a much harder time of measuring the outcomes of services. I don't think that the social services are necessarily alone in facing that particular challenge.

Mr Murphy: No, absolutely not.

Ms Proctor: People can say that the education system has a hard time measuring outcomes and so on and so forth, and it isn't because people are inherently unwilling, I think, to do it; it is a real intellectual challenge. It's a real management challenge.

We have, in terms of the policy framework in our work, set ourselves that we have to be much more conscious of outcome and start to figure out how to define the outcomes better, how to measure the outcomes better. I want to say that is something that we're setting

for ourselves because we think it's very important, not as something that we're going to have a magic solution or a management solution to in a very short period of time, because there's a lot of work required there.

But with respect to the whole business of agency accountability and our processes there, I would ask Sue to speak to that issue.

Ms Herbert: With reference to the young offenders area in particular, I think when we look at the principles of the Young Offenders Act as an organization that delivers the dispositions, if you like, there are probably two clear outcomes: that society's protected—in other words, a child doesn't reoffend—and that the same outcome is good for the child, that the kids stay out of the juvenile justice system and that they don't reoffend. So you can judge your dollars, if you like, on the basis of what happens to the child who is in the system.

Mr Murphy: Sorry to interrupt, but in female young offenders you have a 33% failure rate and for males you have a 50% failure rate. I don't mean you but I mean we, I guess. That's not a great success rate.

Ms Herbert: No. So the real question is, which is the one we have difficulty measuring, which is what the deputy was saying, are they better people? How do you measure that? Somehow, by coming into the system and being both punished and rehabilitated—they're the two goals, if you like, that most of us hold for kids in the system—how do you measure "are they better people"? From your question it sounds to me that that was the discussion you were having with Corrections, that they might end up in some other system.

In the young offender area we've probably got more information on what programs work, what programs actually intervene with children in the juvenile area than in other program areas. So where we're starting to concentrate on now is at the front end of the system so that the more you can do in intervening when children are coming in at the alternative measure kind of scale, the scale that Dale talked about, lesser offences, the more intervention you can do there that diverts children out of the system, and then at the other end of the scale, the more you can do for the serious offences. What our research tells us is those are both areas that are worth putting money into and putting time into. I don't know, Dale, if you want to talk a little bit about what we know from research.

1130

Ms Elliott: The debate on the usefulness or not of recidivism stats has been going on for years and I think there will always remain two camps.

In 1990, as a ministry, we became concerned that it was at least a piece of understanding the answer rather than the answer, and we undertook a significant research project to go through the extensive literature in Canada, the States, Europe and other jurisdictions to say, what do we know about indicators that, if we assessed for them, would give us the best sense of what are the indicators in the situations that tend to be predictors of a young offender repeating?

So there are two ways to use that: on an individual

case-planning intervention basis with the young offender who continues to repeat, that we can address interventions based on what are the particular issues for that youth; on a system-wide basis we are introducing a common standard risk-need assessment tool across the province that we'll assess on all of the indicators that research has identified to us at this point as being the best predictors possible.

Based on that assessment, we can then support and/or develop programs that either are already delivering interventions focused at those indicators or that would be a basis that we can use for discussion with programs around changes that may be needed to apply in a practical way some of the directions that research and literature would point us in.

Mr Murphy: Anne has collected some stuff—

The Chair: I'm sorry. Time's up.

Mr Murphy: Next time I'm going first; Callahan goes second.

Mr Callahan: You had more time than I had.

Mr Villeneuve: Back a little bit to what we were talking about when my time ran out that has to do with when a child is an offender. Before you will give that child all his or her rights as a 12-year-old—that's what they can do to their parents or ignore their parents or what have you—is there any sort of assessment or is this standard procedure—again, I'm repeating what I've been told by several parents, "We had a problem with our daughter but she got into the hands of Comsoc and they gave her all of her rights and the things that she doesn't have to tell her parents and it didn't help at all." Is this being overzealous or is this what's happening?

Ms Proctor: I think that the concern you raise is certainly a concern to many parents about what are the rights of the children and what are the responsibilities of the parent. Sue talked about this one earlier as well.

From the point of view of the service provider I think we balance. We're working with service providers, we try to find a balance that I don't think is always a findable balance, if I can put it that way, or necessarily a perfect balance, between having to recognize the rights of the children and being required to ensure that the child has an advocate, being required to inform the children of their rights.

That's part of the mandate that we are given and the policy that we operate within, which is to ensure that the children do have that information, that they know they have access to an advocate and so forth and to try to balance that with working effectively with the parents, engaging the parents and so on. As Sue said, the parents' responsibility, the parents' role, the parents' concerns, the parents' advice and suggestions as to what should happen and what will be more effective in working with their particular child is also really important to making a plan of service for that child.

So what you allude to then is the fact that the front-line worker, the probation officer or the worker in a YO agency or whatever has got both of those challenges to deal with: being obliged to ensure that the child's rights are met, respected, and at the same time knowing that it's

very important to involve the parent where the parent is able, willing etc to be involved. Of course, there will be instances where they're neither willing nor able to be involved or where in fact the responsible organization for the child is the children's aid society because the child has already been deemed requiring protection and is a ward of the CAS and there may be foster parents involved and so forth.

So it's very complex in that whole sense and I would not pretend that there's going to be the right answer in every individual circumstance. I think Dale has spoken to the fact that really trying to work on the whole question of the needs and the risk assessment of the young offender is an important piece for us in trying to direct the staff judgement more effectively in these kinds of situations as well.

Mr Cameron Jackson (Burlington South): Is it possible that I could get a copy of the young offenders services operational plan that's referred to in your ministry response?

Ms Proctor: We're still working on the operational plan. I haven't got a problem with providing it when it's complete, but I would call it a draft document that hasn't received all its approvals at this point.

Mr Jackson: When might that be ready?

Ms Proctor: When we've had an opportunity to go through the decision-making and so that would be—

Mr Jackson: Six months, a year?

Ms Proctor: It will continue. I would say that it'll be ready later in the spring. But I think it's also a document which, because we are moving towards planning on a more active basis—

Mr Jackson: You don't have to defend it. I'm just seeking information. So that's fine. I'm comfortable with that.

Could I get a copy of the young offenders services manual? The one I have here came from the library, and if it was possible, I'd appreciate that.

Ms Proctor: Yes, that certainly can be provided.

Mr Jackson: Part of the work of the young offenders services operational plan is to look at statistics, trends and so on. You're currently maintaining certain data which in the mind of the auditor weren't being kept or collated; is that correct?

Ms Proctor: One of the things that we have been working on very hard, and Dale alluded to this as well earlier and I think she should speak to it, is the young offenders services information system, which was one of the areas that we've prioritized in order to be able to have the case level information, to be able to do a tracking of those clients more effectively than we did, and Dale could describe that system.

Mr Jackson: At what level have you begun that process of data collection? Is your base year this year or have you gone back? I'm more interested in the specifics of it rather than a broad description of it.

Ms Elliott: Specifically, we're in transition from a system of manual data collection to an automated system. So one of the things that we introduced, I believe back in

January 1990, in a recognized need that while at an area level there were full statistics to describe admissions, offences at an area level, we did not have an ability corporately to speak on a provincial basis in a number of categories. So we introduced what we called a manual data set that areas have been feeding since then so that we do have a reasonable picture of things like admissions, days of care, in all categories back to January 1990.

In transitioning to YOSIS and the automated system we've been in a period of trying to take manual data with what the automated system's bringing out and reconcile and examine those numbers. So we are not yet to the point of producing an ongoing series of regular reports that describe the system provincially, but that's where we're going.

Mr Jackson: Will those data give us a window as to the nature of the offence?

Ms Herbert: We have data, not our own data but through MAG, on offences and all offences by age and location, back to 1990-91, rather than all of us create our own database.

Mr Jackson: Very good, yes.

Ms Herbert: And we can pull those reports through MAG.

Mr Jackson: Is it possible to get those?

Ms Herbert: Yes.

Mr Jackson: The theme that I was trying to explore yesterday is anticipating demand so that you don't—when I use the phrase “bed blockers in reverse,” you know exactly what I mean. There are just no beds so everybody steps down in the process. I don't think that's appropriate to the goals of the program and certainly we should be looking at that as well.

Earlier you made reference to “address interventions” and “rehabilitation is one of our goals.” I'm rather fascinated by that because I suspect I have a fairly good working knowledge of the Young Offenders Act since I turned 20—

Mr Hope: That was a long time ago.

Mr Jackson: I had to qualify that. But I'm trying to determine where you actually have programming which is more purely defined as the purpose of which is rehabilitation. I know there is assessment. That's a whole different approach, an assessment with a battery of psychological and other services, but treatment becomes a whole other issue. I'd be anxious to learn either what you meant by that or if you can now show me where that is occurring. Maintaining a young offender's education, in my view, is not leading to their rehabilitation. It's a right in this province to get an education to your 16th birthday at least, so I don't see that as being rehabilitative. Getting three meals a day, in my view, is not rehabilitative; that's considered basically a right in society, or hopefully.

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Can you help me out in that area? I just thought the young offender still has the right to reject treatment. Even the judge can't court-order a treatment. Give me a

specific example. I know you won't give me a name, but give me a facility and give me a type of rehabilitative program.

Ms Herbert: I think the most obvious answer is the secured treatment program at Syl Apps, and maybe Dale can talk a little bit about that program. I just say by way of introduction, when we say rehabilitative, you're quite right, can you force a child to be rehabilitated or can you through court order? No. But I think when we talked yesterday a little bit about the YOA, the deputy in her speech, the YOA in the Ministry of Community and Social Services is also predicated with the Child and Family Services Act. That we have attempted to bring those two pieces of legislation somewhat together is what allows us to talk about more than custodial care and three meals a day. I would just say that by way of introduction. Dale, you may want to talk about a case-planning approach and then specifically perhaps the secured treatment program.

Ms Elliott: We would certainly separate, as you have done, treatment as defined legally by the YOA and the Child and Family Services Act. The locations in the province which provide that for youths ordered treatment by the court are a separate section at Syl Apps and Robert Smart Centre in Ottawa. Those are two very clear and distinct treatments as per a legislative court order.

When we talk within the ministry about rehabilitative, or some people talk about small-t treatment, it's more coming at the sense of, on what principles and assumptions do you base programming for young offenders? So when we talk about rehabilitative programming in our young offender facilities, the kinds of services that we would contract for, providing our own direct-operated services, would be that we have front-line youth workers who provide role modelling, who do life skills, who provide support and supervision, who develop relationships with youths, who provide informal talking, support counselling. When we're talking of rehabilitation, it's that combination of a decent, humane, caring approach within a residential environment within the principles of—

Mr Jackson: Yes, I get a sense of what we're talking about. That was what I suspected and before we over-stated the notion of rehabilitation for the record I wanted to—because I consider that part of our problem. When the Dupuis family pleads to have a young offender tried in adult court for the sole purpose of not revenge but so that the young offender can receive court-imposed treatment, those are compelling arguments from a mother who's already lost a child, who's trying to speak to another child who murdered her daughter. It's a serious issue and I know it's probably less in conflict with the objectives of the family services act than we tend to believe.

I want to talk about serious occurrences if I can. I understand serious occurrences to occur where too much force or violence may be used by counsellors in the disposition of their duties. Is this one of the categories of serious occurrences which we're reading about in the—

Ms Herbert: It's one.

Mr Jackson: Yes. What would be one or two other examples of serious occurrences involving staff or

inmates, just so the committee gets a sense of that?

Ms Proctor: I'm going to ask Heather to speak to the sort of serious occurrences.

Mr Jackson: I just wanted one or two more examples. I'm going to run out of time here real soon.

Ms Heather Martin: All injuries to clients which are non-accidental, including self-inflicted or unexplained, and which require treatment by a medical practitioner, nurse or dentist; any death of a client which occurs while he or she is participating in a service; all allegations and accusations of abuse or mistreatment of clients—

Mr Jackson: That's just the accusation.

Ms Heather Martin: Yes.

Mr Jackson: Okay. How much access do facilities have to the child and family services advocate?

Ms Heather Martin: Quite open.

Mr Jackson: Is there one resident in each facility; that they're sitting around waiting to report? What's the story there? Do they get phoned and then they come in?

Ms Herbert: It varies across the province. All programs that serve children are required to post the advocates' poster, are required to have the telephone number published, are required to give the telephone number out when requested, so we've got a kind of a blanket approach to the advocate.

Mr Jackson: Do you have them resident in any facility?

Ms Herbert: In some of our facilities we have advocates on staff.

Mr Jackson: And which ones are they?

The Chair: Mr Jackson, time up.

Mr Hope: I'd like to go back, Peter, to some of the comments that you were indicating earlier, and you talked about the integration of services. Is it not true, though, that with the integration of services, there is the turf protection that does occur between those different agencies that are out there? I'm looking at the auditor's report and he's trying to find value, and we're talking about making sure we meet the clients' needs in our communities, making sure we're doing proper planning to provide services.

I'm sure, through all these public meetings—and I know some comments I have made locally in my own paper have created the turf protection, I would call it, with the different boards or the different agencies, even the different funding mechanisms that are out there: money coming from Health which is providing services to children or Social Services which is providing services to children. Even though you are talking about integration—you have a provincial liaison group. I notice you used the word "buy-in," I think, in your comments, from the broader community. Is it not true, though, that while we try to search and meet the needs of the Provincial Auditor, in local communities there could be that protectionist approach to the agencies and the services they provide? Rosemary, or I was just commenting to Peter.

Ms Proctor: Yes, that's okay, that's fine. I think there are two aspects to that and I was going to ask Sue to give a bit of a perspective on that very real issue in terms of

the responsibilities of boards and the approach that they take very seriously to the operation of their programs and then to the challenges that we face, but also some successes in bringing organizations together through the integration exercises.

Ms Herbert: Randy, you used the word "turf," so I'll start from there. As you know, most of our social services in this province grew up through charitable organizations and they have long histories. They have histories that came not out of government funding but out of parental concern, out of specific issues for their children or their relatives, out of church organizations, out of different faith group affiliations. So we have a history in the province, not just in children's services, but in most of our social services, of what might be called special-interest groups which have grown up—and I don't mean that in a pejorative sense—for very real, tangible issues, to deliver services to kids in the province. Over time, the government has funded more and more of those services. In 1985, the Child and Family Services Act attempted to put an overall legislative base around those programs.

Mr Hope: Because you say "overall," how many agencies in the province of Ontario do we have?

Ms Herbert: In children's?

Mr Hope: I mean just in your ministry, because I've got to look at the broader—

Interjections.

Ms Herbert: Rosemary is just saying if we add child care centres in, it's about 5,000 organizations that provide service. When we look at children's services and we begin to ask boards of directors to begin to think about how they can integrate, how they can restructure, share tight dollars, deliver services differently, one of the first things that happens to them as a board is to think about where they've come from and who they want to serve and what about their particular client groups' needs. So it takes a little while for a board to—not all boards, but some boards take a little bit longer to get over some of the vested interest, which is quite a positive vested interest, in order to look broader.

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So when Peter talks about buy-in, it's that attempt to say to boards, "Can we expand our view of these issues a little bit and still serve the needs you've historically wanted to serve and your own interests but at the same time look at how we can improve integration, access, all those things?"

So just to give you a little bit of history about the turf issues, because they are real, but I also believe that if you can talk to boards openly about them, they're quite possible to get over.

Mr Gooch: The whole purpose of the local planning direction is to address just that range of issues that Sue has described. The goal is to have all those agencies coming together not just to talk to one another but to talk to other services from other funders, talk to parents and youth who are receiving the service, to have a much more comprehensive look at the range of services that are in the community and how they can contribute to those most meaningfully.

I want to point out that we have seen and we're seeing more and more examples across the province of boards that voluntarily, willingly, take a look at what the issues are in their communities and what the possible ways to address them are, and they come together and propose to the ministry that they amalgamate.

Perhaps the most dramatic example of that is in the Kenora and Rainy River districts now, where over the last two years the two children's aid societies in those catchments and two children's mental health centres started off asking how they can improve the range of services, how they can deal with their huge geography. They began to think about putting their services together, co-locating them. The more they talked together as boards, the more they understood the ministry's policy around integration and the more the area office encouraged them, the more it became obvious that the real solution was to become one agency and they've started that process. We see examples of that happening everywhere.

Mr Hope: I'm going to change the focus a bit, because I want to go to the young offenders issue to get some answers to some of the questions that have been posed by legislative research. But before I get into that, we had a discussion earlier about welfare and youth on welfare. You were talking about some statistics earlier. I don't want to leave the general public with the impression that kids who are on welfare are part of the gang structures that are in our communities. I know in my own community I've seen people who are in good families, still living at home, getting caught up in—I guess "the conflicts of society" is what you might want to call it, which have created problems for good parents. I just didn't want the labelling.

I know in my own community they're being very stringent about allowing children access to social services. There have to be reasons and they make sure that they're not returning a child to a possible harmful home. That is very hard for an individual to judge. Just because you don't like the rules in the house doesn't mean you're going to collect social services. I know those are the rules that they're following in my community.

But with the information I heard earlier, and I apologize for not listening more closely, the stats that you have, the information you're collecting, is there background information about individuals, what category of society they come from? Is that part of the information that's being taken in?

Ms Proctor: I'd like to address that in two ways: first of all, to clarify that when we're talking about young offenders, because the discussion earlier was about young offenders and young people having access to welfare in specific situations, the young offender population that the ministry deals with is kids up to age 15 and not the kids ages 16 and 17. Access to welfare for young people over the age of 16 would be a different set of issues from that point of view. So I just wanted to clarify that, because kids under age 16 who would be "on welfare" would in fact be living with their families and the families would be on family benefits.

With respect to the kind of information about young

offenders that would be collected and tracked through the young offenders services information system, I would refer to Dale to speak specifically to the kind of overall information that system would be able to provide.

Ms Elliott: If what you're talking about is the socioeconomic level of the family, no, there would be nothing we track in that way. In individual case notes, if the family's economic situation was a significant factor in what was going on, that might be recorded in a case officer's notes, but this is not something we track system-wide.

Mr Hope: Okay, that answers my questions. One of the questions which is in here is, "Can the ministry provide assurance that the lack of documentation to support compliance with court orders does not pose a threat to the safety of the public?" This is a general concern. We're hearing about young offenders everywhere. I know even in my own community there was a youth who was attacked by a bunch of young offenders. They put a petition together and I think something like 1,400 people signed it in our community.

In the report here I guess there was information flow, the documentation, and I just wondered if the lack of documentation to support compliance with court orders poses a threat to the safety of the general public.

Ms Proctor: Again I would ask Dale to speak to the issue, the whole question of what kind of documentation is maintained, the issue that was raised by the auditor in respect to the lack of documentation in specific instances and what we are doing about that. Could you speak to that?

Ms Elliott: I think the kinds of assurances that we would give are several. One was noted yesterday, that one of our key sources of documentation is the case notebook of the probation officer, and it was only the formal files that were reviewed by the Provincial Auditor. So there may be additional information there. If on an individual case one had a concern, one would have a secondary source of information to review to see if there was documentation there.

I think the other point about posing a threat to the safety of the public is that the auditor noted that the issues of lack of documentation of compliance were with the probation community cases rather than the custodial cases. When you've got a custody case, we know we've enforced the court order, because the youth is in custody. That sounds a little simplistic. So the youth being on the street or not, according to a court order, has been enforced and complied with.

In the non-compliance with court orders, the focus on the community conditions were again ones that we talked about yesterday, about a youth engaging in treatment or counselling or not and the whole process that goes around the youth's and family's willingness to do that.

I think the last assurance that we have is that the provision of Comsoc services for young offenders is not done in private. We are engaged in a whole host of checks and balances, which include work with the court; review at court of documents; review of orders by facilities which receive youths from us and would quickly

call us on any issue of variance with a court order; provincial directors sign off reports and sentence calculation by probation officers; case audits; case supervision; our work with families and youths, with advocates of youth and with defence lawyers.

We're in a fairly open system that a lot of people have components of. So I think the scrutiny on us where we have not held up to something is that we would be very quickly checked by someone on it.

Mr Hope: Noticing the time, I'm going to ask a last, specific question. Is the ministry satisfied that the court orders are being properly enforced?

Ms Proctor: To just respond very briefly to that in Dale's comments, generally we are. The orders around custody are implemented. Some of the other orders with respect to community service are also part of the responsibility of the probation officer and the program, and those would be carried out. What we need to do is in fact ensure that the documentation around the implementation of court orders is maintained in a larger percentage. That is an issue when the documentation isn't there, and we would agree that this needs to be attended to. With respect to carrying out the orders, the staff are certainly directed to do that and they would understand that.

The Chair: I think we will break for lunch and resume our sitting at 2 o'clock this afternoon. Thank you.

The committee recessed from 1159 to 1407.

The Vice-Chair: Good afternoon. We will continue in our questioning of the Ministry of Community and Social Services. I was going through Education, Correctional Services, and then I thought, no, this is week 3, we are now with Comsoc. I apologize for that.

We'll start the questioning this afternoon with Mr Murphy of the official opposition. Shall we take 20-minute intervals?

Mr Murphy: Great. I wanted to go back to the young offenders stuff that we started this morning. What I'm wondering is, does the ministry have or is it developing, and if so by when will it have it—that's a long preamble—a breakdown by each of the transfer agencies? I'm looking at volume 3 of the public accounts, which just lists, for my purposes in any event, all the transfer agencies that provide young offender services, and I'm obviously interested in the homes, the various facilities that provide them, and whether you would have a sense of, for example, the recidivism rate by institution, cost breakdown per inmate/offender-day by institution and, if you have that information, whether you use that to assess how much you give them in a future year.

That's about five questions in one, and now you have an opportunity to give me a speech in response. If in the course of the answer you could answer the questions, that would be great.

Ms Proctor: Okay. I'd like to speak to several of those issues and ask Dale to speak to one of them. At one point I would like to come back and just clarify a few points with the committee about some of the information that's been requested that we have copies of and so forth.

With respect to the issue of recidivism according to facility or according to treatment program where young

offenders may be in residence, I'd like Dale to speak to the overall recidivism issue. As we discussed a bit earlier on, the whole purpose of developing the young offenders service information system is to be able to provide better tracking and better analysis of the number of youth who are within that system, the disposition and such issues as recidivism. We are making some progress towards developing a better information system, but we're some way from being there.

The other issue that the ministry is working on within the context of the policy framework is to have a better look at levels of care and the per diem rates or the amount of resources required to provide a level of care, because the ministry has tended to budget agencies on the basis, and we described this earlier, of service contracts and contracts for a range of programs and services. But we're recognizing that there is a variation in terms of residential services and the amount that they cost per day, and we want to bring a greater degree of systematization and consistency to that, which requires having a better analysis of the factors that go into a particular cost and then being able to establish more consistent policies about what one pays for a particular level of care.

By way of starting, I would like, Dale, if you would speak to the recidivism issue first of all, please.

Ms Elliott: Sure. No, we don't keep recidivism by facility, and I think that ties in to some of the larger issues about measuring what contributes to recidivism. The larger focus for us is measuring, through the effectiveness of an overall program, in achieving set goals with the young offenders.

In addition to the kinds of tools that we talked about earlier for individual case assessment, one of the things in the policy framework that will also be of support to contracting for young offenders' services is the linking of specific client outcomes with the service provider. So we will also be part of that direction of the policy framework.

Mr Murphy: Sorry. Could you just repeat the last thing you said? I'm trying to think of providing an answer to my constituents in language that I can understand. I know you're familiar with this and deal with this every day and it becomes easy for you to use shorthand, but if you could explain that to a dull guy like me a bit more straightforwardly, that would be great.

Ms Elliott: One of the directions of the policy framework, the accountability direction, talks about the need, in contracting for services, rather than to contract, say, for a volume of service, to provide *x* days' care for young offenders, as we more specifically contract for specific outcomes to be achieved by a service in relationship to the program it's providing.

Mr Murphy: What would be an outcome?

Ms Elliott: Those haven't been defined yet. When we talked earlier today about the working groups that are each making recommendations, the accountability working group will be making recommendations around the kinds of indicators that should be looked at and applied system-wide for children and also for young offenders. We will be guided by the final approved products from

that working group, one of the directions of the policy framework.

Mr Murphy: Sorry if I've asked this before—someone asked this before—but who's on the working group for that accountability?

Ms Proctor: Can I ask Lynne Bertolini to speak to the children's policy framework work in relation to the accountability. I'd need to introduce for the committee Lynne Bertolini, a staff person who has joined us this afternoon.

Ms Lynne Bertolini: The accountability working group is very similar to all of the other working groups working under the policy framework. There are representatives of all the major children's provincial associations on that working group, as well as the two unions that have the most involvement with our children's agencies. So CUPE and OPSEU would both have representation, as well as the major children's associations, including young offenders.

Mr Murphy: Is there any non-process participant in it? Are there general public members on it?

Ms Bertolini: At this point, our working groups are made up of those people who are most involved with service delivery. We have, however, initiated several times throughout the project province-wide consultations that have included not only ministry staff, agencies and agency staff but families and children. As a matter of fact, we're in the process now of going around the province and talking to different organizations of families that are recipients of children's services under the CFSA.

Mr Murphy: And this is related to the accountability, how you define what's a good result.

Ms Bertolini: That's current. We've been going out to talk to these groups of families to ask them where they think the children's services should be going, and what kinds of outcomes they would like to see for their children is one of the questions that we've been asking. So they will have input into the policy development in that way.

Ms Proctor: If I could follow up on that more specifically, I think as the working groups and the staff work on this whole question of what an outcome is—and the conversation, I know, can start to sound like a lot of bureaucratese—it's really important to try to say that the outcomes that we're expecting of an organization are the changed behaviour for the young offender, that they are reduced conflict with the law.

It would be hard in the current situation to hold a particular program or agency accountable for 100% success with respect to recidivism, but establishing a benchmark and working to improve that benchmark would be a step in the right direction. So I think it's important that we challenge the working groups and that we continue to work to define things there that are measurable things like a reduction in the particular rate or a specific outcome in terms of changed behaviour that we would be expecting people to work towards.

Mr Murphy: One of the latest buzzwords is this "best practices" idea. We were spending some time with Education, when they were here, talking about what

works in one place and how you spread the news about that. Is that going to be part of what you're doing on this accountability and saying: "Look, we have a program that's worked really well with this kind of offender group. Why don't we try it in other places? Gosh, it's cheap too"?

Ms Proctor: Yes. I was sort of reluctant to get into "best practices" language, because again it becomes easy to start saying, "We use best practices." But part of the exercise within the children's planning work really is to do two things at a provincial level. The working group that's working especially on priority services is putting that forward as a challenge, saying: "We do know some things about what works best with different sorts of kids. We need to do a better job of ensuring that other organizations provide service of that quality," rather than so much, "Leave it up to the organization itself." We need to do a better job of both spreading the word of what works among organizations and, secondly, of holding organizations and agencies more accountable.

In Metro Toronto apparently, there's a best practices group that has been established with participation from the children's aid societies and the children's mental health centres, as well as in cooperation with the Laidlaw Foundation. We're putting some work into that group, and what they're working on is really what is best practice in different fields of service.

Mr Murphy: I think this may have been asked earlier and the answer was, "We don't have a time frame yet," but do you know when you're going to get this done and when you're going to communicate it and how you're going to enforce it once you have the result?

Ms Proctor: I'm a little vague on the time frame for the next step of the policy framework. The working groups have been reporting. We're expecting the next phase to be completed in the next month or six weeks for some further discussion in the ministry, and then we'll be in a position to put back the next phase of the children's policy framework and expectations and so forth.

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I don't want to make it sound as though in fact that means everything is sort of done and finished, but in terms of the next step of recommendations and directions and guidelines that would come out of the children's policy framework, I would see that start to come out this spring. But I think that there will be, for example, in a couple of areas that we've referred to, the question of the whole area of assessing kids' needs in a coherent and similar way from program to program. I see some further work over a period of time, and it's hard to estimate how long, working with organizations on what's the right method to use or test and to work on both developing an acceptance and an application of that.

Another area that we mentioned, which is determining what would be the appropriate level of funding for different levels of care for children in residential services, I think will take a bit longer than that as well.

Mr Murphy: The researcher provided us with some articles, and there was one I was reading with interest. I don't know whether you've seen it in the copy of

materials. It's called "The Downside of Zero Tolerance." It's talking a bit about young offenders in the system. This may go beyond the scope of the services you provide, but it was interesting to note in here, for example, that it says, "In 1991-92, a total of 48,854 cases involving young people in Ontario aged 12 to 17 went to court, but a full 46% of them were either dismissed or withdrawn." Then it compares levels in other provinces: in BC it's 30%, in Alberta it's 27% and in Quebec it's 9%. Would you know why that is?

Then it goes on to say that we have a different way of treating alternative measures, and the article implies that we don't use it anywhere near as much or at all compared to other provinces. You look at the system as something, in theory, that's responsible to the public about the management of its money. If someone asks me, "Why does this happen?" I have no idea. I'm wondering if you can help me answer that question.

Ms Proctor: I'd like to ask Dale if she would speak to the issue of the comparisons. You might also speak to the other follow-up which he just mentioned.

Ms Elliott: Some of the Canadian stats, and I'm not sure which article you've got, need to recognize, in general, some of the different service system delivery structures in each of the provinces, recognizing which age groups were always young offenders in provinces and which were formerly adults, like Ontario. So that tends to have an impact on the statistics.

In general, talking about alternative measures, we as a ministry have been delivering alternative measures programs since 1988. We continue to work with the Ministry of the Attorney General, which has responsibility for designating those programs, to look at the impact, to look at the offence criteria.

Currently, the Ministry of the Attorney General has developed an investment strategy which looks at the kinds of things that it as a ministry can look at which impact the front end of the system. We're working with them in a number of forums about how we then link with them, given that they have responsibility for the very front end: police charging practices, crown screening practices. So Attorney General has a whole host of things that it's looking to implement, and we will work with it.

Mr Murphy: Maybe you can't answer this question, why there's such a variation. This is in one year, 1991-92. By that time everybody's in the new system and there is no one who would have been part of an old system where they've been reclassified from adult to child. There's a real difference in the percentages that seem to be dealt with in the system. It's probably more appropriately asked of the Attorney General, I guess, why there's such a difference in the number of cases that are dismissed or withdrawn. Do you know offhand? An alternative measure disposition, how does that get measured as a statistic? Is that a withdrawal of a charge, a dismissal of a charge?

Ms Elliott: It could be the formal recording of alternative measures. If a young offender completes an alternative measure sanction and returns to court, then the charge is withdrawn.

Mr Murphy: So that difference of statistics-collecting, that would be known as a withdrawn charge.

Ms Elliott: That's why you'd need to check with the Ministry of the Attorney General. I'm just not sure, but if that's included, then yes, that would in fact support that alternative measures are being used for a large number of youth. I'm just not sure on the group you've got there.

Mr Murphy: I'm not sure either. I'm glad to give you a copy of it and maybe you can explain it to me afterwards.

Ms Elliott: Sure.

Mr Murphy: How am I doing for time?

The Vice-Chair: You have all of six minutes.

Mr Pat Hayes (Essex-Kent): You don't want to change seats?

The Vice-Chair: No. He asked for the full time.

Mr Murphy: Following up, and I think you've touched on this a bit, the auditor commented in part on changing the way in which you judge the funding of transfer agencies by contracted service or a range of service versus whatever the other term was. He talked about how for example one regional office paid \$2.1 million for unused contracted services because of different rates of using the services they contract for. You talk about the young offenders services operational plan being part of how you're addressing this problem. I'm wondering, have you got time frames in place for that? When are you going to change how it's funded and how are you going to deal with the transfer agencies in the course of the change?

Ms Proctor: I'd like to ask Sue to address the question of our planning on a provincial basis.

Ms Herbert: There are two states of planning. The deputy referred to it yesterday, I think. Mr Jackson asked a question about time frames around the YOA operational plan. We hope to have that in place by the spring. That will address reshifting the system a little bit, we hope to reflect some of the concerns around home placement, access to bed capacity across the province.

Then the other level of planning is the planning that takes place daily around where we place young offenders as they come into the system and how we manage bed placement once we've got a system that's more flexible in place to respond to dispositions that we can't control.

Our first step is to have this operational plan in place in the spring which will allow us to have some base services across the province spread reasonably well across the province, and then to begin to have some flexibility to move bed counts up and down, depending on what our bed situation is like.

The case you referred to, the \$2.1 million, for example, reflects a number of contracted beds that were contracted in one part of the province. At 100% occupancy, there would not have been that \$2.1-million formula; excess spending I think is how it's referred to. In actual fact, I think we ran at 80% among that group of agencies. So the \$2.1 million is the difference between 80% occupancy and 100% occupancy. The trick for us is always to have bed capacity available and trying to balance what we

think our bed count needs are going to be and have availability of those beds and look at contracting for a number that allows us that flex. In actual fact, we think that running at 90% is doing really well. There will always be a slight—

Mr Murphy: Absolutely. That's right. There's going to be some number that's a reasonable number, and I guess the argument is that 20% or 30% difference is too high a difference. Have you targeted a percentage utilization rate, to use the terminology, as one you can achieve and is the optimum level?

Ms Herbert: Our goal has always been to run between 90% and 95%. It's difficult to achieve because we don't control the intake. I think the other point for us is that in the past many of you would know that we operated to some degree on a regional basis, and we've moved to a provincial level plan to try to manage those beds differently.

Mr Murphy: Does that mean there are going to be young offenders who are transferred more often out of jurisdictions?

Ms Herbert: No. Our hope would be that the young offender plan that we talked about having ready in the spring will help us balance our patterns of bed count utilization across the province in a better way. Once that system's in place, then you can manage it.

Mr Murphy: Does that mean that by summer of this year, I can tell the voters in my riding that this extra money won't be spent when we don't need to spend it?

Mr Callahan: That's not a fair question.

Mr Murphy: Sure it's a fair question. That's what they would ask me, and I'm asking you.

1430

Ms Proctor: I quite understand. The reason why we're trying to plan this on a provincial basis rather than a regional basis is so that you can keep just a bit closer track if there is an underutilization in one area and you need to move the resources into another area. I wouldn't suggest that we'll ever get 100% there, because things move and you get intake and charges and custody orders in one place all of a sudden more than you expected or whatever. So it isn't a science, but from the point of view of trying to maximize the use of the resources, we really concluded that we need to think about the resources across the province and try to deal with where are the beds and where are the pressures on a provincial basis. That's the direction that we're moving in.

Mr Murphy: I want to talk briefly about user fees. Am I right that they're off now? They're no longer on? The agency Oolagen, for example, is in my riding. They came and talked to me a few times about the great difficulty they could have in charging user fees, because it's emergency and they already take the federal government payment as part of it etc. So there's just no way they could take the money from parents. Am I right that that's off again, that the minister has said user fees will not be asked for from those agencies?

Ms Proctor: I'd like to ask Sue to speak to this issue.

Ms Herbert: The ministry hasn't called them user fees, but parental contributions have always been a policy

of the ministry, just to start back a little bit to answer your question.

Mr Murphy: Ah, yes. Aren't euphemisms a wonderful thing.

Ms Herbert: We have parental contributions that recognize the fact that for many of the children, they're living in our agencies, they're receiving service from our agencies, and the costs that some of our agencies bear—particularly Oolagen would be a good example. They have kids in residential services there, and parents make some contribution to the cost of their children living in Oolagen, since they're not paying for those costs while they're living in that home. So we have parental contributions and we have special allowances which you've referenced.

Where I think there was anxiety among the service provider agencies is that the ministry announced a constraint in the spring. We hoped we could look at using parental contributions and user fees towards offsetting some of those costs. That's where the agencies and where Oolagen would have come, for example, and talked to you about that concern.

Since then, the ministry, in working with the provider and the agency groups, decided that it can't meet that constraint through parental contributions and through special allowances, and said that we will still work on enhancing those policies. The parental contribution policy, though we had one, was confusing. It wasn't consistently applied across the province. So we said, "We're going to work with the service providers to clean that up," and I think that work is under way now.

Mr Murphy: So it's off for now.

Interjection: No. It's being tightened up.

The Vice-Chair: Mr Murphy has actually gone a couple of minutes over, so I think I'm going to have to cut you off there and go to Mr Jackson.

Mr Murphy: I think there was some desire, though, to finish the answer to the last question. I'm sure Mr Jackson wants to hear the answer too.

The Vice-Chair: After you interjected, you mean?

Mr Jackson: It would be fairer to say, without getting into a debate about parental contributions, that there was a wide variance between its application, between just children's aid societies, for example. That's what you found.

Ms Proctor: I think what we found was that there had been a policy in place for quite a few years, but the application of the policy was not consistent.

Mr Jackson: Okay. Follow me for a moment, please. You're in the process of identifying those who are already utilizing parental contributions within the policy, and you're identifying those who have not and saying: "This is an opportunity for you to move to a more balanced budget. If you have the authority to do that, please explain to us why you're not doing it." Is that essentially the approach?

Ms Proctor: At this point actually the ministry set up an advisory group with the representatives from a number of the provincial associations: OACMHC, OACAS,

OntChild, OCODHA, OACL etc.

Mr Jackson: I'm familiar with that. Let me ask it another way then. Surely you're not telling those agencies that are currently collecting this parental contribution that it's no longer required while it's under review?

Ms Proctor: No, I don't think—

Mr Jackson: You're not. Okay.

Ms Proctor: No. We haven't told people to stop collecting, and we've also asked agencies which may not have been collecting the federal special allowance to continue to try to collect that as well because that's—

Mr Jackson: The federal special allowance is another issue. The federal allowance, we know that some are and are not collecting it, and it makes eminent sense that if a baby bonus, just for clearer language, in theory is supposed to go—

Mr Hope: Child tax credit.

Mr Jackson: I know, Randy, but we're not all as sharp as you.

Mr Hope: Don't be smart about it. All I was doing for the record was to make sure it's the proper terminology that's used today. It's the child tax credit; that's all I was saying.

Mr Jackson: Thank you for your contribution. For want of another word I'll call it the baby bonus, but this flows with the child, as I understand how it's supposed to work. But when the child is no longer the responsibility of the parent it should flow to the agency that is acting on behalf of the state as the—

Ms Proctor: In loco parentis.

Mr Jackson: Right. So now agencies that haven't been collecting are being encouraged to collect that because it's legitimate moneys that are transferred that should be going to them. Correct?

Ms Proctor: Yes.

Mr Jackson: Just to be clear, the discussion about the province treating that income in any form of offset, that is part of the discussion group. In other words, no firm decisions about how the ministry treats that income; no firm decision is made about that? Mr Murphy raised, and I'm following through with it, three related but separate issues within this whole issue of user fees or whatever you want to call it.

Ms Proctor: Just to make sure I understand what you're saying, to confirm that the whole issue of the agency collection of the children's special allowance or of parental contributions is delinked from any issue of the application of fiscal constraint in the agencies or in the children's services; so they are being treated as two separate sets of issues, and working with the organizations towards an update, a better way of managing the policy with respect to contributions and the federal special allowance on the one hand, and delinking that from the work that the area offices would do to apply a constraint on the children's services agencies, which has been reduced for the current fiscal year.

Mr Jackson: But has that been reduced in an amount—

Ms Proctor: That's going a bit beyond where you

were, but I just wanted to make sure that we were talking about the same thing, which is to delink the two exercises.

Mr Jackson: Yes, and what I asked you was, in the federal transfer payment, that those moneys are not now being treated in any offset by the ministry with respect to your expenditure control plan.

Ms Proctor: That's correct.

Mr Jackson: The minister took a giant step backwards from it—

Ms Proctor: That's right, and said that—

Mr Jackson: —and said, "That's on the table for discussion but we're not going to treat that as was first considered in the memo."

Ms Proctor: "We're not going to treat that as an offset." That's correct.

Mr Jackson: That's all I just wanted to establish. Okay. Very good.

Now if I can pursue—Mr Murphy's still here; good. Another serious occurrence would be the confiscation of drugs or other contraband. That would be another incidence report. Are those automatically reported to the police, and what kinds of incidence reportings are we getting from any data you've looked at?

Ms Proctor: Dale, is that in terms of reporting contraband in facilities?

Ms Elliott: It depends on the definition of contraband.

Mr Jackson: I'll use drugs.

Ms Elliott: Certainly anything illegal in terms of drugs or a weapon the local police would be notified. Contraband in a facility could also be that youths just had something they're not supposed to have. So certainly the police would be involved where there's an illegal object.

Mr Jackson: I understand you don't do personal searches for drugs of young offenders. They have to actually be caught with the paraphernalia or the substance in order to have an incidence report. Is that your understanding of the operational side?

Ms Elliott: There would be several instances. When you say "do a personal search," do you mean like physically searching a person's body, as one hears in police and at borders and by Immigration and what not, as in a personal body search?

Mr Jackson: I wouldn't know how to describe it any other way.

1440

Ms Elliott: Maybe I'll go another way. Certainly the kinds of searches that can be done in our facilities would be a checking of a youth's belongings, pockets, asking him to empty out pockets or what not. If there was any thought that there were drugs located inside the person's body, our staff do not conduct those searches but would contact a doctor and arrange for a medical professional to conduct that kind of a search.

Mr Jackson: Do you have any statistics on those occurrences, or is that an area of occurrence not reported?

Ms Elliott: It would be reported, and again, a facility level would have those in local records. That's not

something that I would have a rolled-up provincial list of. But certainly every facility would log every such incident.

Mr Jackson: I think the auditor identified that there was a problem with the serious occurrences being transferred, but also that they were not all being reported. Is that not correct?

Ms Proctor: The auditor did remark on and did note that we have done a number of steps, with respect to serious occurrence reporting, to improve both our expectations of agencies and of the area offices. I'd like Sue to speak to the steps that we've taken.

Mr Jackson: I think we got an insight to that. I guess really what I'm looking at is I'm trying to familiarize myself with your operations manual and how certain things are being done. It would be extremely helpful to me if you had clarified that, as opposed to the new path that you've created. I want to get a sense of how certain aspects operate. For example, when I read about incidence reports around child abuse, I read through it carefully and I note that it makes reference to adult abuse of children. I'm trying to determine where in the manual it refers to abuse by one young offender of another young offender. What is your protocol and what are the responsibilities for reporting of a young offender? It's very clear about persons who are staff or persons who are adults.

Ms Proctor: I'll ask Heather to speak to that issue.

Ms Heather Martin: That falls within the guidelines of what is a serious occurrence. So when any client who's receiving one of our services suffers any abuse by anybody it's reportable as a serious occurrence to the area office.

Mr Jackson: So within a few months you'll be able to show statistics of—I've seen abuse-by-staff statistics because they're shared with the union, but I've not ever seen stats of abuse between clients.

Ms Herbert: In our young offender facilities, each facility would keep a log of what we call kid-on-kid, child-on-child assaults. So we would know by facility.

Mr Jackson: So that's available for us to have a look at under certain circumstances.

Ms Herbert: We would have to probably roll that up for you. That would not necessarily be a stat we'd keep ourselves corporately.

Mr Jackson: Can I pursue the issue of serious occurrences as they relate to the use of force by members of the counselling staff in a facility such as Syl Apps? It's the facility I'm most familiar with because my fiancée worked there for two years, so I just have a fair understanding of it.

Currently I have a case, and I make no bones about it, and it just illustrates a bit of a problem that we have. I understand that when there's a case of force being used in the opinion of the young offender, the protocols follow and the child advocate enters and the children's aid society is called immediately. But parallel to that then the police are called.

We have two individuals here. We have the rights of the child that have to be protected under the ministry's

regulations and laws, and the minister also is responsible for his employees, in this instance members of OPSEU.

I had a case of an individual who was cleared by the police, but the children's aid society, which is still under the jurisdiction of the minister, refused to release the individual because he didn't feel it was necessary to attend several meetings at the CAS. I'm talking about a person—I don't want to call him a guard; I guess we call them counsellors at Syl Apps. This individual may still be sitting at home but it's been going on for eight and a half months. He's been sitting at home not getting paid because of the fact that one part of the ministry says, "We're there to protect the child," and the other part of the ministry says, "We have a job to do."

My efforts to try to free up this logjam were unsuccessful, but more importantly it sort of juxtaposed the tension within the ministry between the two responsibilities. I wonder to what extent the system is overreacting—or underreacting, depending on whose position we're discussing here—with respect to the whole notion of protection of the individual.

There was a child advocate on site. The police have said there was absolutely no incident. There were witnesses in the room and the individual was cleared. When near-riot, or what you call them, situations get out of control in these facilities there are take-down procedures. Young people have to be taken down in order to be restrained. This is not a pleasant experience for a young person, I suspect, but necessary for the safety of other individuals and for the persons in OPSEU.

I just wonder, to what extent can we afford a system that allows for that kind of difficulty to emerge when the evidence is compelling on one side and yet here we have—I'm sure the children's aid society is well intended but it just won't close the file and therefore the ministry can't reinstate the counsellor. This has gone on for a long time.

Ms Herbert: I can't speak to the particulars of the situation. Certainly you've outlined the procedures that we follow as a way of trying to ensure both fairness to the staff person who's involved and to the child who may be complaining. The purpose of the procedures is just to ensure some fairness outside of the facility itself.

I don't know if you want to spend a bit of time going through that procedure, because Dale can walk you through the procedure and how it works, but the larger issue, I think, particularly in the secure custody facilities, is how we help our staff and train our staff to de-escalate before we have to move to containment or restraint. For a whole number of reasons we want to intervene before we get to that point. There's staff injury that occurs when we're restraining, there are incidents of assault being claimed on both sides, so we spend a fair amount of time both monitoring restraint usage, particularly at Syl Apps—I think in the original Syl Apps report it was noted that restraint was used more there than seems to be used elsewhere in the system. We've invested a lot of time in training our staff around aggressive PMAB training—again, a euphemism that I can't remember—

Ms Elliott: Prevention and management of aggressive behaviour.

Ms Herbert: As a way of trying to help our staff intervene before we have to contain or hold children.

Mr Jackson: I understand that and I believe the report was extremely helpful in providing a basis for staff to have those kinds of discussions, but I still have to come back to the notion that at some point a piece of legislation has to take primacy. I just have difficulty with any level of government that's going to hold an employee in abeyance. I was talking to senior ministry people and I just wondered if that's not something we can't resolve, in the interests of the employee—who I felt wasn't really getting a fair shake, but that's my opinion—and what everybody seemed to appear to have agreed, that the best interests of the young offender had been met.

Ms Herbert: Clearly the issue of time frame and OPSEU's concern for its members and our concern about having staff suspended or off duty, we have a mutual interest in solving this. At the ministry employee relations committee we've had a full discussion on this issue and are looking at putting some guidelines in place around time frames and decision points. I think part of what happens is when you involve so many players the question of when and how you reach a decision that everyone is comfortable with, who makes the decision. I understand that MERC, a euphemism for the ministry employee relations committee, has actually had a full discussion and has some draft guidelines that it wants to have approved.

Mr Jackson: How much time do I have left?

The Vice-Chair: You technically have two minutes, but because I let Mr Murphy go a couple of minutes over I'd say about four.

1450

Mr Jackson: Oh, I see. Thank you. There've been two coroner's inquests into young offenders who've been at large—unauthorized absence, whatever we call it—where, within the coroner's inquest—well, one was with absence and the other was deaths caused the day of the discharge. In both cases the coroner's inquest determined that learning how to operate a motor vehicle and the gaining of the licence thereof was secured while in custody.

Can you enlighten us as to why we're providing that level of program at no cost to young offenders when I just paid \$450 for my wife to take Young Drivers of Canada training? She's in a class with seven boys all aged 16 wondering why they have to pay. Could someone help me understand why this is occurring? Are we contracting this out?

Ms Elliott: No. I would need to—

Mr Jackson: Well, when do we stop doing it?

Ms Elliott: My understanding from just an overall knowledge would be that this isn't something we would be providing as part of our programming. What may be occurring is that a young offender in a facility who is working toward reintegration into the community may be getting a series of temporary releases. During those, while he or she's at home under the supervision of his or her parents, maybe they have arranged for driving lessons. That would be my first comment, that most of that may

well be while a youth is on temporary release as one of the measures for reintegration.

Mr Jackson: I've got to tell you honestly, I've been at the Tim Horton's across the street from Syl Apps. I've seen the driving instructor come and pick them all up. We know who they are. We don't have to know their names, but I know what's going on. Could you help me find out a little more information? I don't want to be tough on these kids but, by the same token, the two coroner's inquests are pretty compelling where it was identified—

Ms Herbert: Were they phase 1 kids, Cam?

Mr Jackson: Yes, they were phase 1 kids.

Ms Herbert: All right. We'll go and—

Mr Jackson: There were the four who were killed out near Kingston. They were the ones who broke release and took a car from within the neighbourhood, and then there were the four who were killed—

Ms Proctor: Did they get their driver's licence while they were in custody?

Mr Jackson: Yes. And then the four who—

Mr Callahan: Did they teach them how to drive stolen cars or what?

Mr Jackson: No, no, no. Well, one of my staff had her car stolen by a young offender who escaped three months ago, but he didn't have a licence. There's no correlation there. I just really wanted to say: The four youths who died in my riding—he had been discharged earlier that day. He was 16, but he was fully licensed. He had achieved his licensing and his experience and everything while a young offender. Three youths were murdered that day.

Ms Herbert: We'll follow up on that. I think—

Mr Jackson: I appreciate that. I just want to learn more about it and—

Ms Herbert: That's fair.

Mr Jackson: I can't get straight answers from anybody. I'm sure I'll get them from you, Sue.

The Vice-Chair: The auditor had a comment.

Mr Erik Peters: Just a quick comment to help out. The age group, though, that you're looking after is up to 16, so you may want to get together with Correctional Services to see whether—

Mr Jackson: No, not necessarily. There are 17- and 18-year-olds at the Syl Apps detention centre; there's no denying that. The act says the commission of the crime as of that date, but if you commit the crime just shy of your 16th birthday, you're six months to a year remanded until you go before a judge, then you get your three-year sentence. You're still classified as a young offender, still accommodated in a young offender facility, and you could be 20 years old. That's not common, but it can happen if you're more than 18.

Mr Peters: I'm just raising the question in order for you to get a full answer to your question because some of the answers may not come from Comsoc; some of the answers may also come—I think you should get a full answer to your question.

Mr Jackson: I will.

Mr Peters: And I'm not denying it.

Mr Jackson: That was all right. I just wanted to make sure the record didn't suggest that we don't have persons beyond the age of 16 in young offender facilities.

Mr Peters: Fair enough.

Mr Jackson: That's all.

Mr Hayes: Hello there.

The Vice-Chair: Hello. We're now going to the government side. I understand Mr Hayes has a question.

Mr Hayes: Yes, I'm looking at your children's services. I'd like some information on where it states on page 3 at the bottom in the left corner, "The government has signed a Statement of Political Relationship with the first nations and is committed to continue working with first nations towards self-government, the goal of which is to enable first nations and aboriginal peoples to assume control over the supports and services necessary to ensure that the needs of their children, youth and families are appropriately addressed." What I'd actually like to know is, can you bring us up to date on this initiative? Is the cooperation there?

Ms Proctor: I would be happy to start addressing that issue and then ask Sue to follow up with some specifics. In order to implement the Statement of Political Relationship and in order to address the issue of the continued and further assumption of control by first nations and aboriginal groups of services to their communities, the ministry has been working on reorganizing and refocusing our own work in this area.

We've been putting together what we're calling the aboriginal services transfer initiative, which is really intended to begin to work more directly with aboriginal communities that are interested in assuming responsibility for children's services or the whole range of social services, and putting ourselves in a position to be able to be more proactive in the transfer of responsibility, picking up from the first nations communities themselves a readiness and an interest in moving in that direction. For example, we are working with a couple of communities right now that are interested in assuming the responsibility more completely for child welfare in their area.

Our intention would be to continue to work with first nations communities, both on and off reserve, as those communities express an interest in taking on responsibility for social services so that responsibility can be transferred appropriately to those groups.

Do you want to speak to the specifics around any of the agencies we've got now and which we would continue to develop?

Ms Herbert: We have a fair number of organizations both on reserve—tribal councils and individual reserves—and off reserve that are providing counselling services, child and family intervention services that we've talked about in the audit today, a broad range of services across the province, primarily in the counselling prevention area, though we have had, and are moving towards, more requests from reserves to begin to take on the protection mandate that's under the CFSA. In fact, I hope later

today to be talking to a group from Six Nations about their request to take on some of the services under the protection area for their own reserve.

I think our relationship has been more positive and we're moving more and more towards transferring to aboriginal communities the right to run these services.

Mr Hayes: Is the ministry training people within the Six Nations, for example?

Ms Herbert: Yes. In Six Nations the child welfare services have been provided by the branch CAS through a unit right on the reserve and almost all of those staff—in fact, I think all of them are aboriginal people from the reserve who are employees of Brant. The idea would be to sever the formal relationship between the off-reserve CAS and to transfer the accountability to the band itself. We're just at the beginning of negotiating this, but I think it's a good sign.

Mr Hayes: All right.

Ms Proctor: I'll just add that in other communities where the community itself has—Weechi-it-te-win, for example, which is a group of 14 or so aboriginal communities in northern Ontario, also operates its own child protection and child welfare service. That provides a way of both recruiting staff and training staff in those programs and then moving that training into other communities and making staff available. It's a bit of a slow process, but it's a way of enabling people to gain both the experience and the training in that kind of work.

Mr Hayes: Thank you. One more quick question: It's in the auditor's report on page 47 where we speak about the young offenders services, where they serve an average of 813 young offenders each day and 24,100 annual admissions and 363,125 annual days of care. Say, since 1990, is that a large increase of case load? Just go by the 813, the average there.

1500

Ms Proctor: There certainly have been increases in admissions and in case loads over that period of time. Do you have the numbers readily available, Dale, to speak to?

Ms Elliott: We could provide from 1990. It was the manual data collection that we were talking about earlier. We could provide in all the categories for the admissions, days of care and average daily count going back to 1990.

Mr Hayes: But it has increased significantly though, right?

Ms Elliott: Yes. In all the categories, the admissions have increased and the days of care have increased.

Ms Proctor: Sue is able to provide a bit more information.

Ms Herbert: I won't read you all the numbers but I can give you some sense of the increase from 1989-90 to 1993-94. I can give you on admissions. Would it be admissions, Pat, that you're interested in?

Mr Hayes: Sure.

Ms Herbert: Just to give you a sense, from 1989-90 to 1993-94 the percentage increase was 46%; that's in custody. In residential detention the increase was 26% and in probation the increase was 30%; alternative

measures 40%. That'll just give you some examples.

Mr Hayes: That's fine, thank you. Then I flip two pages back of the legislative research service here when it talks about the federal government providing \$22 million under a cost-sharing agreement and of course it said this is one of the items that has been capped.

I guess what I really want to ask you is, with the federal government freezing payments, how do you cope with the extra workload? There must have been something that had to be done away with in order to keep the service and to keep up with the demand.

Ms Proctor: I think there are really two pieces of that. One is that because of the nature of the young offenders services and the other mandated children's services, and in general because of the importance of the services to communities and children, the ministry and the provincial government have sought to maintain those services.

For us, the fact that the federal government is withdrawing cost-sharing, for example, in the area of young offenders services doesn't remove our obligation under the legislation to continue to provide those services. We do continue to provide those services, albeit with a tighter constraint than may have been the case.

The picture that you get, essentially, is that the amount of cost-sharing the federal government provides to Ontario for this range of services, which at one point the general rule was that there was about 50% federal cost-sharing for these services, has come down in the areas funded under the Canada assistance plan to about 28%.

Whereas once upon a time, up until 1990, the federal government paid for half of the cost of the services, as it does in other provinces, at this point they pay Ontario 28%.

I think the impact of this is in several ways. We in Ontario have the more difficult situation of trying to deal with the pressure for continued services and the recognition of those services. We have the added pressure of the lack of fiscal flexibility that's created when there's the federal withdrawal from these services, but our laws and the federal legislation, in fact, compel us to continue to deliver the services.

In the young offenders area in particular, because of the increase that you noted in terms of admissions and case loads and so forth, the ministry continues to run somewhere in the neighbourhood of \$7 or \$8 million over estimates on an annual basis, just to provide the range of services that's required under the Young Offenders Act.

The amount of federal cost-sharing has withdrawn substantially in that area, as I say, and Ontario is down—in the ministry generally, for the Canada assistance plan area, and it would bump up a little bit when you add the rest—we're short about \$1.7 billion this year in terms of federal expenditure that would be owing to Ontario and which in any other province would in fact come to the provincial government.

The Acting Chair (Mr Noble Villeneuve): Do we still have questions from government members? You still have about seven minutes.

Mr Duignan: No further questions.

The Acting Chair: We would then move to the official opposition.

Ms Poole: I'd like to go back for a moment to the article that Mr Murphy was referring to. I think, Ms Elliott, that you now have a copy of it. It was an article in the Toronto Star in December by Patricia Orwen. There was some interesting information contained within the article.

I appreciate that, first of all, when you're dealing with young offenders you're only dealing with those 15 and under, so some of those statistics are not referring to the population you deal with. I also appreciate that the courts set the sentences and you don't. But as a member, it's somewhat frustrating in that we never get a chance to ask these questions of the Attorney General because the Attorney General doesn't come before our committee until the auditor does an audit.

Mr Callahan: Which is next, isn't it?

Ms Poole: Which is next, hopefully. I'd just like to explore some of these things and ask for your advice and opinion on them.

One of the things the article stated was, "A full 82% of those 9,337 young people in custody in 1991-92 were there for non-violent offences." One of the themes in the article that they explored was whether young people who have committed non-violent offences should be in custody. They didn't say "non-violent and non-serious," so I don't know how many of those non-violent offences were also not serious ones.

But it would seem to me that we as a province should be looking at other jurisdictions and how they handle things. I think the fact that Quebec has only 9% of its cases withdrawn probably leads one to assume that it may have different criteria. We certainly were given this information in the general correctional picture, that there are a lot of offences which we in Ontario would incarcerate for while in Quebec they would levy a fine.

Has there been any discussion among your young offenders staff about the possibility of reform to our justice system and perhaps dealing with young offenders in a different way? I know it's federal legislation; I know your hands are tied.

Mr Hope: Maybe you could make a call, Dianne.

Ms Proctor: I would like to talk about that briefly in the sense that what you refer to is an issue right in the justice system that affects phase 1 young offenders, phase 2 young offenders and the work of the Attorney General. Really, we've been trying, among three ministries, to work more closely together on some of these issues because what each group does impacts on the others.

The collaboration that we've been engaged in over the last while is with the Ministry of the Attorney General and the Ministry of the Solicitor General and Correctional Services. What we're trying to do is, first of all, think about and collect and provide better information through the crown and address some of the questions of what are the patterns of crown prosecutors in Ontario vis-à-vis other provinces, vis-à-vis even within Ontario in terms of prosecuting young offenders.

What are the charging patterns in Ontario? It's very

important to maintain the independence of the police in terms of charging, but what is the information about charging patterns as between one part of the province and another part of the province? What does that lead to in terms of the sentencing patterns and the duration of sentences and the sentences in relation to what sort of offences for young offenders in Ontario?

We are trying to work together because we think that the way to work on those kinds of issues so that you're targeting the resources to those young offenders who are the most serious situations or, as Sue alluded to earlier, the early intervention with young offenders in terms of a first offence so that you can use your resources more effectively, so that you're using the court time as effectively as possible and so on, is only something that we can work on in collaboration with the other parts of the justice system.

1510

It's also part of this question of best practice and how do the two aspects of the young offenders system, our first phase and the second phase in terms of Correctional Services, make the best use of our resources, learn from good practices in one system or the other and try and inform the service providers more effectively.

I feel like I'm giving you a long-winded answer, but basically I'm trying to say that the collaboration among the different parts of the justice system to tackle this problem of what is the prosecution, what is the sentencing, what is the charging rate and all of those kinds of things is something that we need to work on together. That's what we are trying to do through a group called the justice review project, which has been an inter-ministry group that was actually chaired by the Deputy Attorney General to work on those issues.

Ms Poole: I'm glad to hear that collaboration is occurring with the Correctional Services ministry. They in fact offered to contact Quebec and see what the differences were, because they were quite interested in this, even though, again, it may be the Attorney General who would have the ultimate jurisdiction to make the changes.

Along the same line, in this article it stated something that confused me, particularly in view of your response to Mr Murphy. The article said: "In Ontario, young people are routinely sentenced to community service, but it is the court, rather than the police, that does it. In the other nine provinces and both territories, young people can be handled through alternative measures, a program that lets them make restitution or perform community service instead of going to court."

Now, from what you said and from what I understood, I thought alternative measures was something that we did use in Ontario. Could you confirm whether in fact it would have to be done through the court or can it actually be done at the police level?

Ms Proctor: Dale can clarify that for us, please.

Ms Elliott: The model in Ontario that has been sanctioned by the Attorney General is what is called a post-charge model, and the reason for concern that there be a charge is concern for due process rights and not

widening the net. When we're talking about net-widening, we mean pulling in a lot of people who maybe wouldn't even have gotten to court. Those are the kinds of issues you look at in providing alternative measures.

In Ontario, the police are the ones who advise the young persons they come into contact with of the availability of alternative measures and they prepare the documentation to meet the criteria we've brought for Mr Callahan this afternoon and could provide for everyone. The role of the police is referring this to the crown attorney. The crown attorney reviews the case for eligibility, and if the crown attorney agrees that this could be suitable case for alternative measure, it is referred to Comsoc provincial directors for admission to a program.

The model has in it usually one court appearance for the youth to come to court, to be clear of the charge and then, if the youth successfully completes alternative measures, it's put on the docket at a future date and withdrawn. When we say it's a diversion from the formal court proceedings, it is, and yet it is still linked into the process with the crown attorney, the police involvement and then withdrawal if it's a successful completion.

Ms Poole: So the proviso is that the young person would have to be charged?

Ms Elliott: A charge is laid in Ontario, yes.

Ms Poole: Okay. That is in fact where the point of difference would be with other provinces, in that in other provinces the police could basically resolve it without a charge being laid. Would that be your understanding?

Ms Elliott: I would need to read further to understand the statistics. Alternative measures in no way replace police discretion, which police have in every instance with every circumstances that they come upon. There would still be young offenders whom police come upon and may return home with a warning and a discussion with the parents and no charges laid. We wouldn't term that formal alternative measures as envisioned in the legislation and yet in a layperson's term it would be, "Well, the police took an alternative route to formal court." There's the distinction that the formal alternative measures program does not replace or take away police discretion in not even proceeding with a charge.

Mr Callahan: I'd like to follow up on that. To begin with, I was just reading a very interesting article. Something I've always believed in the years I practised law was that with the change from the Juvenile Delinquents Act to the Young Offenders Act, young people are actually punished more severely now than they were before. That's the first thing. That article seems to indicate that and that's been my observation personally.

The second thing, though, is that young offenders now are being treated more favourably than adults who are in a diversion program. For instance, if a person is charged with shoplifting and the crown chooses to use a diversion court to have them attend some sort of a seminar on shoplifting, the charge is then withdrawn, but that person's fingerprints and mug shot are kept for a year, whereas with a young offender, once the alternative measures have been completed, the charge is withdrawn and they can apply immediately to have their mug shot

and fingerprints removed. That seems to me to be an inequality between the two programs. It means that adults, who probably need to have their record cleared faster, are saddled with it for a year, and that can result in people being denied jobs where a check is going to be done with the police in terms of whether they've got a record or not, and yet kids who complete the alternative measures program immediately have the right to ask the police to provide an opportunity for them to witness the destruction of their fingerprints and their mug shot. I find that rather unfair, for the reasons I've stated.

Is there any consideration with this justice committee that this might be eliminated, by having both of them have the right to require their fingerprints and mug shot to be destroyed immediately upon the charge being withdrawn? They've not been convicted. There really is no right to keep those documents.

Ms Proctor: I think with an issue like that, with respect to the Young Offenders Act, there is a federal review of the legislation ongoing. Whether this is an issue that would be treated in that review and subject to change I couldn't really say—

Mr Callahan: But it's not a federal matter.

Ms Proctor: In terms of the charging practice?

Mr Callahan: The provincial Attorney General has decided, and I think quite wisely—it's something I certainly always advocated—that in crimes that are sort of Mickey Mouse, if you can call a crime Mickey Mouse—somebody steals a toothbrush or something of minor value—instead of having them convicted or even going through the trial process, if the crown agrees to diversion, they are then sent to another court where they view some sort of a film on shoplifting and they get a talk from somebody about the evils of shoplifting. Then, if they attend that, the charge is withdrawn.

But the problem is that they have been fingerprinted and photographed, which remains in the police files and they can't apply until a year afterwards to have that removed. There's nothing in the Identification of Criminals Act, which is a piece of federal legislation, that says that the police or the Attorney General have any right to do that. What I'm saying is that it's unfair that the process would not be the same for them as it is for the young offenders.

Ms Proctor: I think I understand the issue, but it is an issue that would be of relevance to my colleagues in the Ministry of the Attorney General and in the Ministry of the Solicitor General and Correctional Services. I'd be certainly prepared to undertake to raise that issue with them in our discussions and bring it to their attention.

1520

Mr Callahan: All right. The second thing, if I could—do I have any more time? Can I ask another question, Dianne, or have you got some burning—

The Chair: We have the rest of the afternoon.

Mr Callahan: Just a very quick one. I know you undertook to give us a list of the items that the crown will look at in terms of alternative measures. Has there been any type of a study done in terms of determining whether or not there's been equality of justice throughout

this province? What I'm saying is that certain crowns in a particular jurisdiction may be less likely to grant alternative measures to child A, whereas if they happened to be in another jurisdiction, they would have gotten the alternative measures. Are the rules that definitive?

Ms Proctor: I'm not aware of such a study, but it's the sort of issue that we've talked about in the justice review group in the sense that we need to have a better understanding of that and be able to address it from the perspective of whichever ministry is responsible for the area in the case of the crowns or whatever. I don't think we've done enough to follow those kinds of patterns and see where those kinds of issues are. So that's part of the work that I was referring to as well that needs to be done. I'm not aware of a study to that effect at this point.

The Chair: Two minutes left, Ms Poole.

Ms Poole: Concerning the expenditure control plan and the social contract, I think Mr Jackson asked some questions this afternoon about the user fees or parental contributions. Could you, either verbally at this time or in writing within the near future, tell the committee what the impact of the expenditure control plan and the social contract has been on children's services within your ministry and outline what specific areas you've had to curtail or cut or alter because of the two plans?

Ms Proctor: Sue Herbert can speak to that issue.

Ms Herbert: If I can start with the social contract area, as a result of the negotiations at the broader public sector table, which included of course more than just children's agencies, the negotiated reduction was 0.75%, so three quarters of a percentage, and that appears to have successfully been implemented without major impact on service.

In fact, the one major change which the social contract broader public sector table has negotiated is a change to an administrative rule that we had which required additional administrative costs. In eliminating that requirement, they believe that the majority of their cost saving can be achieved. So it's been through administrative change that we've achieved that three quarters of a percent.

In the area of the expenditure control plan, this year I think we removed \$3.5 million out of the overall allocation to children's programs, which I think is about 0.5%.

Ms Proctor: Yes, the overall allocation is \$700 million. So it's \$3.5 million out of that total.

Ms Herbert: So we've removed \$3.5 from \$700 million, and at this point we're just beginning the assessment of the impact of that reduction. We're doing it through a community planning process, so each community planning area will be looking at how to implement that reduction. As you'll know, originally it was announced at \$13.7 million and we're working with our agencies and with our provincial associations to look at how we might manage a further constraint in the children's area. So there's a provincial task force looking at that issue.

Ms Proctor: I could just follow up with two points, which is that one of three members of the steering committee for the social contract—the steering committee

is monitoring the application there and raising issues, and so far is content with the way the process has worked.

With respect to other expenditure control, we have agreed to work with the group of provincial associations to monitor the impact of restraint and to discuss issues that arise in that regard, but the amount of constraint for the current fiscal year was reduced, as Sue says, to \$3.5 million. That constraint didn't start to take effect until January of this year as well, in recognition of the pressures and the serious issues that the children's services groups deal with. So we will be working with them over time to monitor that and to plan into next year as well.

Mr Jackson: Earlier, the deputy had indicated that she had brought with her for the afternoon session some of the materials that have been requested. Perhaps it might be helpful if that was circulated to the committee now and then we could have an opportunity to work with that.

Ms Proctor: I have a number of items with—

Mr Jackson: I guess I'm getting the approval of the Chair to do that because I want to disrupt my time in order that—

Mr Hayes: It's all part of your time.

The Chair: That's fine.

Mr Jackson: Probably it doesn't matter. I think it's more helpful if we get it now as opposed to at 4 o'clock, and then I can ask some questions about it.

The Chair: Certainly, if that is possible.

Ms Proctor: I have a number of the items. One of the things I want to check is that we haven't in some instances been able to provide enough copies for all the members because people were collecting this together at the end of this morning.

Mr Jackson: That's the clerk's problem, not yours.

Ms Proctor: So we can provide you with a copy or several copies, depending on the issue.

We have one copy of the young offenders services manual because we have a bit of a shortage on that. So we've got one copy of that. I have a couple of copies, too, of the young offenders statistics that were requested this morning, and I've got a copy of the material on the offences where crown attorneys would order and the staffing qualifications guidelines. So we've provided that material at this point and I have a number of outstanding items that we promised to get material on for the committee but we weren't able to provide those between noon and now. So we'll keep working on bringing that material to you.

The Chair: Can I just say, Mr Jackson, I think it would be a little difficult to get everything copied and back to you before we end this particular session today.

Mr Jackson: Mr Chairman, to be helpful, the manual was a specific request and it's a copious document. There are one or two of those items that are just a couple of pages. I'd leave that to your discretion, but at this point I'm indicating a desire to have the matters transferred to the clerk of the committee, and then the clerk and you will work out the very best method of getting it to us without burdening our deputants.

The Chair: Let me ask the clerk to endeavour to make copies as quickly as possible, and should he get them back before we end the session, then you can have them. Is that acceptable?

Mr Hope: Just speaking on the manual, because it was requested in the committee, if Mr Jackson's the only one who wants it, I don't see the relevance of photocopying the whole manual for everyone, if he's the only one who's seeking a copy of it.

The Chair: Was there a manual—

Ms Poole: Might I suggest that we make one for each caucus, just three copies?

Mr Hope: We don't want one.

Mr Jackson: Yes, you've got one.

Ms Poole: Perhaps one for the official opposition and one for the Conservative caucus, because I'd like to see it as well.

The Chair: Fine.

Mr Jackson: You could return with another one tomorrow, probably, if we only needed two.

Ms Elliott: I've taken one off my desk. Most of ours are in a distribution centre, so it's if we can get one over from them in time. This was just brought from our office, but they're all stocked and go out to service providers from the distribution centre.

The Chair: Just for my understanding, the manual is very thick?

Mr Hope: Yes.

The Chair: Okay. We're not going to photocopy that.

Mr Jackson: No, no. That was a specific request.

The Chair: So whatever materials are just available in loose leaf and can be easily copied, I'm sure the clerk will make every effort to get those back to us and we'll leave the manual to another day.

Mr Jackson, do you have any other questions? Because I have a question that I would like to pose to the deputants, but I will defer to you if you have.

Mr Jackson: I was considering this as time to help get materials for the committee.

The Chair: You still have your time.

Mr Jackson: But proceed. I just think that the end of the day is not the time to finally ask, "What did you bring us today?" That's all I was just trying to suggest, Mr Chair.

The Chair: I have a question, if you will permit me.

Mr Jackson: Proceed. I yield.

The Chair: I would like to ask, with regard to the young offenders services, the possible impact, and I'm not quite sure this will have any impact, although I believe it will, of the legislation that's being brought forward by the Ministry of Housing in respect of Bill 120. What, if any, impact do you feel this will have on the provision of services that are now provided for by agencies in the field via group homes and transitional housing acting as detention centres and acting as custodians? I'm just wondering what impact that will have.

I'm not sure if you're familiar with the terms of Bill

120, but certainly we've in that committee heard from a number of service providers that this will have an impact if it's passed as is proposed. That is to say that any of the providers who have tenants who are staying with them for less than six months will be excluded from the provisions of the Landlord and Tenant Act. Those who have residents who stay longer than six months feel that their programs will be at risk and will not be able to provide the service that they now provide, the flexibility with which they do that. I'm thinking specifically of someone who as a tenant, who will have the rights of a tenant under the Landlord and Tenant Act, would say: "I don't want to leave at this point. I want to stay in this home."

1530

Ms Proctor: I'm not sure I can give you as fulsome an answer to that, but with respect to the services we've been talking about in YOA, I don't think there would be an impact. If there were an impact of the legislation, it would be quite minimal, because the young offenders who are in a facility, who are in either secure or open custody, are there under a court order. It isn't a question of tenancy or choice; they're there by court order. I don't think the legislation would apply to those kinds of situations; it could not override a court order.

Where there might be some concern and where there is, I think, a bona fide difference of opinion is in other aspects of our services, and in particular in relation to supported housing or in relation to group homes for persons with developmental disabilities, developmental handicaps, where there are positions taken that the legislation, by treating the residents as tenants and giving them the rights of tenancy, will make it more difficult for the service provider to deal with behavioural issues and so forth.

On the other side of the discussion, people are saying, "But the whole purpose of community living is to treat the individual as any other individual in the community with rights and responsibilities," and that the service provider can use a range of techniques, a range of abilities to deal with people's behaviour and so forth. It isn't an equation to which I have the exact answer. I think that debate is going on in those services and in that community. Sue, do you want to add to that?

Ms Herbert: No, I think that's essentially it. For many of our programs where we provide support service dollars, there's a concern that the ability to ask someone to leave the program will be hampered by the changes that Bill 120 proposes. But as the deputy said, there are issues on both sides.

The Chair: In that connection, clearly the rights of the tenant will supersede any of the rights of the landlords, if you will, because they will become landlords, to remove a tenant in those situations. The real concern is that they will prolong their stay and violate really the ability of the programs, or the integrity of the programs will be called into question. I think there's no doubt about that. I think education and service providers are indicating that much. Their ability to meet the objectives of those programs will be called into question precisely because they are of a transitional nature. So if they are

then converted into more permanent residences, which is the real danger, then the transitional nature of those homes will be lost and the value of those programs called into question. I think if you're funding those programs to meet certain objectives, that has to be a question that you're concerned with.

Ms Proctor: I do understand and I know that there are some discussions ongoing with service providers about these issues. As I say, I'm not sure I can comment fully on this set of issues. These discussions need to continue about the pressures or the problems that would face service providers, but also the additional steps that service providers might need to take to be in compliance with the law but to recognize that if they are providing a treatment service, it is for a specified duration.

The Chair: So if I'm hearing you correctly, your view and the ministry's view is that at the end of the day there will not be a serious problem with respect to service providers and that they will continue to be able to provide and meet the objectives that they are now meeting, given the impact of Bill 120.

Ms Proctor: By and large, I would say yes to that. I think there may be a need for different protocols that service providers would use. They're sort of looking at things in a different way. That can be worked through as they talk about what the issues are and what their concerns are and how we can provide a protocol or an approach that would enable the service providers to address their concerns about time-limited intervention and at the same time respect the intention of the legislation, which would be to protect the tenancy rights of people living in all sorts of community facilities. So that's what we described before.

The Chair: If I may, just to—

Mr Hayes: You have to share the time, by the way, Cam, and we have no time left.

The Chair: This is not Mr Jackson's time. It's the Chair's prerogative to ask a question.

Mr Hope: And it's our prerogative to ask whether you're still going on, right, I understand?

The Chair: No, if you want additional time, it was understood that your party declined to ask any further questions.

Mr Hope: I mean, you've asked for some privileges.

Mr Hayes: Just don't abuse your privileges, that's all.

Mr Hope: Now you're bringing in a discussion about Bill 120. You might be privy to information about Bill 120, the conversation that's taken place, and the rest of us are sitting here listening to you talk.

Mr Murphy: Joe, come and sit here and I'll come and sit there and rule your question in order.

The Chair: No, I don't think it's a question of that. I think it ties into what we're dealing with in terms of the auditor's report, because, quite frankly, the question that I was asking relates to the effectiveness of the programs and how they might be altered. That really ties into the next question that I would ask.

Meeting the objectives, in your opinion, will not be difficult, but I think we would have to review whether in

fact service providers were meeting their objectives and doing so with the effectiveness that they're supposed to be doing it with. We'll see. Only time will tell, I suppose, once you do an audit to determine whether those service providers are meeting the stated objectives and goals that were set out. Part of their funding criteria would be called into question as a result of that, in my opinion. Obviously I'm just getting your opinion, and you don't believe that will be a problem down the road.

Ms Proctor: I still think it's an issue where there are differences of opinion with respect to different service providers and different perspectives on the issue. We do have a group that's working around the whole question of designing a tenancy agreement protocol that it would help to meet the concerns of the service providers, as well, as I say, to be in compliance with the law in a proactive way trying to mitigate the concerns of the service providers. We'll just have to keep working in that direction and see how we get on.

The Chair: Okay. Mr Jackson.

Mr Callahan: Mr Jackson has kindly allowed me just to bring to the attention of the—

Mr Hope: No, come on—

Mr Callahan: Listen, Randy, you might learn something, for God's sake. We're all members of this committee, not just you.

Mr Hayes: Bob, if you want the floor, say a few words.

The Chair: Order.

Mr Callahan: I draw to your attention the manual which—

The Chair: Mr Callahan, just for a moment, please. There was time allocated for this discussion, and I want to reiterate that the position of the government members was that they declined further questions. So with due respect, the time that remains will go to those who are interested in asking questions.

Mr Hayes: On a point of order, Mr Chair: I don't think it's necessary for you to prolong this thing. I think you heard me say that if Mr Callahan has a question, go ahead. No problem.

Mr Callahan: I was just going to draw to your attention that you've kindly agreed to give me, as corrections critic, a copy of the Young Offenders Services Manual. The reason I want to look through it is that at page 0201-07 the statement is made that "On successful completion of the alternative measures program"—

Ms Elliott: You'll have to give me one back.

Mr Callahan: Sorry. It's also the sheet you gave me about the alternative measures.

Ms Poole: Why don't you repeat the number.

Mr Callahan: Yes, I'm sorry: 0201-07. It's under the heading "Completion of Program."

Ms Elliott: Page 5?

Mr Callahan: Yes, that would have been easier, wouldn't it? I looked up top. I didn't know what that was. It could have been my age.

Ms Elliott: That's the section.

Mr Callahan: I see. In any event, under "Completion of Program," this is dead wrong. It's got, "On successful completion of the alternative measures program, the young person will be discharged from the program and the charge will be dismissed." It's not dismissed; it's withdrawn. But that's not the important part. The important part is, it says, "The young person is not required to attend court for the charges to be dismissed."

I hope nobody follows that advice, because they're going to wind up being charged with failing to appear. They're actually bound over by a court on the first appearance when the alternative measures are suggested, and they are required, by court remand, to attend in court on that next occasion. If they're not there, they will be seeking alternative measures to eliminate a charge of fail to appear. So there may be things in there that should be reviewed.

Ms Elliott: I will follow up. My understanding of it is that in the agreement in providing this program in conjunction with the Attorney General, where the paperwork from the provincial director appears in court on the remand date, signed and signifying that the sanction has been completed in a satisfactory way, the court accepts that without the youth appearing. But I will follow up on the practice.

1540

Mr Callahan: They've got to show up anyway, because when they show up they'll find out whether or not the alternative measures have been satisfactorily completed.

Ms Elliott: Our provincial directors would have clarified that with the youth and family prior to court date. We have a series of forms that are signed off that the youth signs and the parent signs and the provincial director signs, but I'll follow up with it.

Mr Callahan: All right. Thank you very much.

Mr Murphy: Mr Jackson, can I follow up—
Interjections.

Mr Murphy: Seriously, just one question, if I may. The one question I have is, do you know how many people who get alternative measures successfully complete them, versus those who don't?

Ms Elliott: Again, that would be available within every program which is providing them, but I wouldn't have that at this point handy as a rolled-up provincial figure. Every alternative measures program completes a summary of discharge—satisfactorily, not satisfactorily or whatever the status is. That's done within every program.

Mr Murphy: I don't want to create 1,000 hours worth of work to collect it, but if you have it—

Mr Jackson: Or get a supplementary out of me.

Mr Murphy: Yes, or get a supplementary. But if you could find it in your hearts to give me that information, that would be great. If you come back to me and say, "That's going to take 2,000 hours; listen, we can't do it," then that's fine.

Ms Elliott: How about if I promise a response to you in some format?

Mr Murphy: Thank you.

Ms Poole: Anything less than 2,000 hours of work, he'd like you to do it.

Mr Jackson: Anybody else? Perhaps I could ask the deputy the question directly: At any time did the Ministry of Housing officially ask you for your response to or your consideration of the impact of Bill 120?

Ms Proctor: The Ministry of Community and Social Services was part of an interministerial committee with the ministries of Housing, Health and others, I don't remember which, that were working on the policy for that legislation.

Mr Jackson: That's interesting, because when we cross-examined Health last week, they indicated they hadn't been.

Ms Proctor: Maybe I've misremembered and that ministry wasn't part of it. I know that this ministry was.

Mr Jackson: You only have about 20% participation of your designated groups, and Health has a disproportionately larger number, so that strikes me as odd. Perhaps you could let us know what were the nature of those meetings and your recommendations. These have serious implications for denial of program, which is the function of your funding. I respect that the legislation will give tenants certain rights, but one of those rights is to say, "I do not wish to comply with the terms of your program," and that program component is what you fund.

In meetings at which both the Chair and I were in attendance last week with respect to that bill, Health was very forthcoming with the fact that they had not been consulted.

Is there any reason why order paper questions around young offenders or children's services have not been able to be responded to within a reasonable length of time? Anybody can jump in. I guess there's an overall delay. It's a standard question I ask as the Chair of the standing committee on estimates, and I get interesting answers, but one of the reasons there's such a desire to request information in this forum is because it's not always forthcoming as order paper questions. I just wondered if there are problems with responding in a timely fashion.

That is separate from the minister's own correspondence. I consider an order paper question a matter of a ministry, whereas my personal letter to the minister is a matter that I would not burden you with.

Ms Proctor: I understand. I guess I'm not aware at the moment of outstanding order paper questions, so I would like to be able to follow up on that. If there are order paper questions outstanding, I'm concerned about it as well, but I didn't think there were at this point outstanding ones. So we'll check that out.

Mr Jackson: And a reason for late response? We're getting three, three and a half, four months' response time. That's not always been the norm. Your ministry actually had a very good reputation over the course of the nine years I've been a member of Parliament with respect to quick responses. Some requests were unreasonable, and you indicated that to me, but some basic questions are taking three and four months. I just wonder if there are any blockages or any problems in the system.

Ms Proctor: If there are problems, I'm not aware of

them. I wasn't aware of delays. I wasn't aware there were outstanding order paper questions at this stage. So I'll take that under advisement and follow up on that.

Mr Jackson: Okay. Yesterday I raised the issue of the exceptional circumstance review funding envelope, which is of concern to me. I know the long history and the short history of that fund, and I understand to stylize it as a ministry tool to adjust areas of high demand and high growth would be a fair characterization of the purpose of that fund. It has been lessened in its effectiveness by virtue of the dollars committed to it in the last few years. I wonder if you could share with us what your plans are, since we're looking at five weeks away from this fiscal year, and where the exceptional circumstance review funding might fit. Just a general question at this point.

Ms Proctor: Heather can speak to the process.

Ms Heather Martin: First of all, you were commenting about the fact that exceptional circumstance review dollars are going down. Is that correct?

Mr Jackson: That's my understanding.

Ms Heather Martin: In fact that's not the case. Exceptional circumstance review dollars grew steadily from 1985 until about 1991-92. In 1991-92, treasury board advised the ministry that the ministry had to plan for exceptional circumstances, that it was something that was planned and the ministry had to plan for it much like the other ministries do for forest fires. So they asked us to come back with a plan indicating how we were going to control our exceptional circumstance review costs.

At that time, treasury board indicated that it would be decreasing the moneys available to the ministry. Effective in 1994, we would not be able to come back for any more requests for exceptional circumstance review dollars that would be over and above what was already in the ministry's base.

Mr Jackson: Okay, I think I understand you. You're saying that you have a fixed base that was in this year's estimates.

Ms Heather Martin: That's correct.

Mr Jackson: And how much was that?

Ms Heather Martin: In 1992 we were given \$17 million.

Mr Jackson: You've got to help me out; 1992-93 makes more sense to me.

Ms Heather Martin: In 1992-93 we were given \$17 million; in 1993-94 we were given \$12 million; in 1994-95 we were given \$5 million, so the overall pot of dollars available was \$34 million. Against the \$34 million, we had some base adjustments that were given out in 1991-92 that amounted to about \$1.5 million, \$2 million over what we were given in our exceptional circumstance review request. So the overall pot is down to about \$32 million available for exceptional circumstance reviews, effective 1995.

Mr Jackson: Over three years.

Ms Heather Martin: That's correct.

Ms Herbert: But accumulated into one pot of that size.

Mr Jackson: That's sort of accounting magic.

Ms Proctor: No. I think the implication of that is that in previous years the ministry went back and got exceptional circumstance review money each year and was able to use that money to make base adjustments to agencies. In fact, the pattern across the province was that most of the children's aid societies would request an exceptional circumstance review and would receive some sort of base adjustment.

The change implies and means, and it has taken place in our guidelines and so forth as well, that the exceptional circumstances money has to be treated more specifically as exactly that and has to address on an annual basis the particular pressures or issues that one society or another is experiencing, but can't be used for base adjustments.

1550

Mr Jackson: How are you communicating to children's aid societies, as an example, that they are experiencing less growth in their budgets, as anticipated from your transfer payment, and that this sort of funding venture at the end of the year, which is so we don't get caught saying, "That's it; we've done our 400 cases of child sexual abuse; the 401st case we can't do because we're not budgeted for that"—exceptional circumstances review in a very simplistic way addresses the 401st sexual assault case that wasn't planned for or budgeted for or anticipated.

How are we dealing with that, given that we've seen the dollars shrink to \$5 million for 1994-95? I know they do three-year budget plans, I know all that and I know what you've shared with us with respect to how you're treating it as an accounting measure. I want to look at its practical application to children's aid societies which were not able or capable or allowed simply to increase in anticipation of what they felt would be their growth. They were told by the ministry where the growth dollars could be anticipated. I think I made it clear where my concerns are here.

Ms Proctor: Yes. I'd like to clarify three points around that. One is, first of all, it is not a \$5-million budget for 1994-95. As Heather explained, the total budget for exceptional circumstance on an annual basis at this point is about \$32 million. For 1993-94 we're anticipating, at this point, pressures on that fund and need for exceptional circumstances review money for agencies in the neighbourhood of about \$14 million of the approximately \$29 million that we have this year.

Mr Jackson: Can I stop you so I understand what you're saying?

Ms Proctor: Yes.

Mr Jackson: I had thought I understood the \$17 million, the \$12 million and the \$5 million.

Ms Proctor: Right.

Mr Jackson: Those are moneys that you've allocated to a fund which is now—

Ms Proctor: Which has accumulated.

Mr Jackson: Which has accumulated and you can draw from it.

Ms Proctor: That's correct, each year.

Mr Jackson: So the measure of what the community needs or uses is a measure of what you pull out of the fund. What you commit to your fund is different. If you're not going to spend it, then I don't care if you've got \$80 million in there; I'm wanting to know what they transfer and what they budget for. That's what I'm trying to get a handle on.

Ms Proctor: That was the second piece of the answer, which is that there are guidelines that the area offices will use and do use, and they're available to the agencies to explain which services that they provide can be funded under the exceptional circumstances category.

Thirdly, with respect to the whole area of funding for children's services and the experience of the children's aid societies and, as you expressed, the 401st case, there are mandated services that children's aid societies must provide as part of their core mandate and they must follow up on accusations or incidents of abuse etc. But one of the things that we've been trying very hard to do locally and as part of this provincial work on the children's policy framework is to bring the children's services agencies together to plan more effectively, because the money that's available to serve children in the care of the children's aid society isn't necessarily just in the child welfare budget. It's also in the child and family intervention budget that we've been talking about in the audit, and one of the issues the auditor pointed out was just the accounting practice. Those resources are also there for children in the care of the children's aid societies.

The direction that we're trying to take within the funding policy is to say that the agencies that are providing services to children need to work together more effectively in a more coordinated way to ensure that the resources are being put, given a priority service on children in need of protection, especially to those services for the kids that come to the attention and are part of the CAS's mandate even if other services can't be as readily available in the community.

That takes some collaborative work among those agencies. It isn't just a CAS-to-the-ministry kind of relationship. It's something that requires sorting out with the children's mental health and the other service providers in that community, which is, in a sort of rounding-it-out way, one of the reasons why we think it's very important for the children's aid societies to be participating with the other children's services in their local planning and why they are key participants in the policy framework work, in the funding policy and so forth that we're doing there.

The Chair: Any further questions, Mr Jackson? You still have the floor.

Mr Jackson: Who wanted part of my time?

Ms Poole: Oh, everybody.

The Chair: You still have the floor. Please carry on.

Mr Jackson: I'm not familiar with how bad the

weather is. Is there some consideration that we prorogue early?

The Chair: This is the last opportunity we will have to have the deputy and her staff before us.

Mr Jackson: I thought they were here on Thursday.

The Chair: Unless members request that, we obviously will not have them on Thursday, but if that's the wish of the committee, then we will have them on Thursday.

Mr Murphy: I would suggest, because the weather continues to be reasonably inclement, that we let people decide whether they can go home early, and we could ask them to come back on Thursday morning.

The Chair: I know that the deputy will have a problem attending. We might ask if her staff would be available for Thursday morning if that's still possible.

Ms Proctor: If it's the wish of the committee, staff can be available. Unfortunately, I won't be able to be here on Thursday.

The Chair: Yes. Is that acceptable to members?

Mr Jackson: As you wish.

The Chair: Okay. We will adjourn for today—

Interjections.

Mr Hayes: On a point of order, Mr Chairman: I have no objections if the members want to ask more questions, but is there a whole list of questions? Do we have to bring them back if we can wrap this up in 15, 20 minutes now? I don't see any harm in that.

Mr Jackson: Mr Chairman, if I may, one of the reasons I asked, staff had indicated at the outset, on returning for the afternoon session, they had the materials. It's only just after I asked for it that we got it. I think part of the process is helpful that, when ministry officials come forward with information, it gets to committee members as quickly as possible. We're still anticipating additional information so I would be hopeful that, to assist the process, the information can be given through the normal channel, which is to the clerk, as quickly as possible, who will be responsible for getting sufficient copies to us. That will help the process. In no way do I wish to cut short the efforts of the auditor as reflected through our task before us this week.

The Chair: To put some perspective on this, we did request that the ministry appear before us for this week and had scheduled Thursday for you. That was understood. I thought I heard there were no further questions, but if members desire that we carry on on Thursday we will do that and I will ask that staff be made available for Thursday morning at 10 o'clock to continue with this process. If that's agreeable to members I think we will move in that regard. Ms Poole, you have a question?

Ms Poole: Oh, no, I was just scratching my forehead. I think Mr Murphy was the one who asked for the floor.

Mr Murphy: No, that's fine.

The Chair: Thank you for your attendance.
The committee adjourned at 1558.

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***Vice-Chair / Vice-Présidente:** Poole, Dianne (Eglinton L)

Bisson, Gilles (Cochrane South/-Sud ND)

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***Owens, Stephen** (Scarborough Centre ND)

***Perruzza, Anthony** (Downsview ND)

Tilson, David (Dufferin-Peel PC)

**In attendance / présents*

Substitutions present/ Membres remplaçants présents:

Haeck, Christel (St Catharines-Brock ND) for Mr Bisson

Hayes, Pat (Essex-Kent ND) for Mr Frankford

Hope, Randy R. (Chatham-Kent ND) for Mr O'Connor

Jackson, Cameron (Burlington South/-Sud PC) for Mrs Marland

Villeneuve, Noble (S-D-G & East Grenville/S-D-G & Grenville-Est PC) for Mr Tilson

Also taking part / Autres participants et participantes:

Ministry of Community and Social Services:

Rosemary Proctor, deputy minister

Heather Martin, coordinator, children's services, program management division

Peter Gooch, project manager, children's policy framework, children's policy branch

Sue Herbert, assistant deputy minister, program management

Dale Elliott, program analyst, young offenders program

Lynne Bertolini, policy analyst, children's policy framework, children's policy branch

Peters, Erik, Provincial Auditor

Clerk / Greffier: Decker, Todd

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service



Legislative Assembly of Ontario

Third Session, 35th Parliament

Assemblée législative de l'Ontario

Troisième session, 35^e législature

Official Report of Debates (Hansard)

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**Comité permanent
des comptes publics**

**Étude des méthodes de comptabilité
du gouvernement de l'Ontario**

Président : Joseph Cordiano
Greffier : Todd Decker



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STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday 9 February 1994

The committee met at 1103 in the St Clair/Thames/Erie Rooms, Macdonald Block, Toronto.

REVIEW OF ONTARIO GOVERNMENT
ACCOUNTING METHODS

The Chair (Mr Joseph Cordiano): This morning we have before us officials from the Ministry of Finance. Mr Jay Kaufman, deputy minister, is here. I welcome you to the committee and ask you to introduce the staff with you. We have approximately an hour, and then we'll continue with questions this afternoon.

Mr Jay Kaufman: Thank you, Chair. I'll follow your suggestion and introduce my colleagues. With me are Dina Palozzi, who's associate deputy minister of Finance and is responsible for the controllership area of the ministry, which is the area dealing with the changes in our provincial accounting policies; Robert Siddall, who's the assistant controller responsible for the financial information branch in the controllership function; and Gregg Smyth, who's the assistant controller for central accounting. Anne Evans, the director of fiscal planning, is also in the room, and we'll have a couple of other staff joining us shortly, I suspect, who may want to answer some questions as we move along.

What I would propose, if it's acceptable to you, is that each of us make some comments. I think I informed you that I wasn't available this afternoon—I've got other activities I can't get out of—but I can be here for the full hour. Dina Palozzi will be leading our team this afternoon and I'm sure will be able to answer any questions. I'll offer a few opening comments and then pass it over to Dina, who will talk about the general implementation plan around moving to the new accounting practices, and then Rob and Gregg will get into more of the detail.

I would like to emphasize at the outset that as the Ministry of Finance, formerly Treasury and Economics, we have certainly always had a strong working relationship with the Provincial Auditor and have tried to be very responsive to the concerns of provincial auditors past and obviously Erik, the new Provincial Auditor. When he and the committee were calling for a change from our current accounting practices, certainly it was something we had to take very, very seriously. As you're all well aware, the Finance minister in October did respond positively and made a commitment to change our approach following on the recommendations of the Provincial Auditor.

I think it is important to say that the past practices, the ones we are currently following, have been around for about 30 years and are well-established practices in terms of our modified cash basis of accounting.

Prior to that, interestingly enough—I didn't know this until staff mentioned it—we in Ontario were up until 1968 on an accrual and consolidation basis of accounting. In 1968 there was a decision to change to the current practice of a modified cash basis and non-consolidation of accounting.

It was interesting, when they drew my attention to the reasons for the shift from those past practices and one of the important benefits seen at the time for the current accounting practices. It's important to emphasize these benefits, because they show the continuing validity of this particular approach. It was essentially that the current method has a real strength in the sense of being simple and fairly straightforward, with a degree of precision that is not always achieved in the accrual accounting method. Some of that will come out as we get into the discussion and presentations as we go along.

I think it's worth a quote, drawn from the explanation of why the province shifted to the current method of cash accounting:

"The cash accounting system is one of basic simplicity, and it provides a degree of preciseness which is not always achieved in systems based on the accrual method of accounting.... Furthermore, the practice of keeping open the expenditure ledger for a period of 30 days after the fiscal year, in which to pay charges incurred in that same year, negates to a large extent any justification for accruing liabilities of a current nature."

The point of my flagging that is not to get into an argument, which I'm not equipped to do, not being an accountant, about what is the best method, but simply to emphasize that in Ontario we've had a method of accounting which has stood the test of time. Obviously we're prepared to change, but when the request for change came to us it was one we had to take seriously and think about some of the consequences, because it's clear that the public, the Legislature and, not unimportantly in our situation, investors and the credit rating agencies had a clear understanding of what Ontario had been doing. Change of this magnitude is something we had to approach with an appropriate degree of caution.

1110

The arguments for change: Certainly in our judgement there are persuasive arguments for going back, as it were, to an older approach, but emphasize that in shifting to the accrual base of accounting—as I say, it will become clear as we go along—we do enter into an approach which involves much more professional judgement on the part of my staff, certainly, and the Provincial Auditor's staff in terms of determining how various accounts are to be recorded.

On balance, I think we have felt that we wanted to approach this issue cautiously in the current context, but none the less respond and meet the commitment that was called for by the Provincial Auditor as quickly as we could. As I think I emphasized at the standing committee a week or so ago, in general our game plan, our commitment, is to present the public accounts on the accrual and consolidation basis for 1993-94 and attempt to meet the target date of September. That plan of action will be gone through by Dina in a moment.

One of the things I want to provide the committee, because it is interesting, is that since PSAAB, the Public Sector Accounting and Auditing Board, has recommended these changes, there has been a gradual process across the country in terms of the adoption of the new accounting basis by provinces. Rob has handed out a couple of tables which show that eight of the 10 provinces are now following in some form or other the PSAAB recommendations on accrual accounting, and both Newfoundland and obviously ourselves have indicated that we're shifting there too. By the end of next year, pretty much the entire country will be on the new accounting basis.

However, having said that, each province has its own unique twist to it. It is not a perfect match between what PSAAB is calling for and what provinces are actually doing. There are a variety of issues that we'll get into that are quite complex, dealing with pensions, assets, revenues and so on, where in fact there aren't clear resolutions on those points, which provinces are still grappling with and we will grapple with here. Also, in terms of consolidation, the second table essentially shows that all the provinces, for purposes of public accounts, have moved or are moving to the PSAAB procedures.

That's basically the general status of where we are and where other provinces are. I should just say one other thing. This whole area of accounting practices is an issue among finance ministers across the country, and there is a genuine concern growing that because of differences among provinces the comparability of provincial finances is becoming increasingly difficult, and some real concerns about issues like the treatment of capital assets and the whole question of capital. There are common concerns across the country. Finance ministers and officials have a project in place to try and look at those issues and come up with some better measure of commonality, but there are a lot of questions to work through there, and we're participating actively in that process.

With those comments, I'd ask Dina to take you through what's involved in the implementation activities.

Mr Gerry Phillips (Scarborough-Agincourt): Mr Chair, just so the comments can be geared to our concerns, which I suspect they are, and just so the committee's aware of what our concerns are, I think the trick is to try and figure out what's going on year to year to year. I look at it like a business: How are we doing year to year? My view is maybe clouded by being in opposition, so you always look for what's really happening here.

Mr Kaufman: You always expect to be very objective.

Mr Phillips: I like to think that, but sometimes I wonder.

Mr Cameron Jackson (Burlington South): We see you as fresh from government.

Mr Phillips: My own view is that there's a \$2-billion to \$3-billion number that nothing's changed but the accounting over a three-year period, and I'd like you to dissuade me of that or prove I'm wrong. Just so you know where all the numbers are, I think the sale-leaseback of buildings like this and of GO trains and what not is essentially not revenue; it's a new loan. I

don't personally view as revenue what is this year \$600 million and next year \$700 million.

The Chair: There will be time for questions.

Mr Phillips: But the deputy will not be here this afternoon, and my point is that I hope they gear their remarks to our concerns.

The Chair: I appreciate that. I was thinking of allowing a little time for questioning—

Mr Phillips: Sorry, Mr Chair. We'll go through the presentations and may not have heard the response on—

Mr Kaufman: Just to be clear, so you know where our presentations are coming from, the request we got was to bring the committee up to date on the steps around implementation of the new accounting practices for public accounts. We're certainly open to answering questions—that's not an issue—but our presentations today are very much geared to that end, of telling where we are, where we expect to be, what some of the issues are that we're grappling with.

The Chair: Given that the deputy will not be here this afternoon, perhaps it would be appropriate that we permit additional time this morning, running into the lunch-hour period, for some questioning, at least 10 minutes for each caucus. That would give members an opportunity to direct questions to the deputy. Obviously, he won't be here this afternoon.

Mr Kaufman: The problem is I have to be at cabinet, with Dina, at 12 o'clock to deal with a major issue.

Mr Noel Duignan (Halton North): We have other commitments at 12 as well.

Mr Jackson: A third of them have to go for a smoke.

May I suggest that most of us are familiar with the strength of the table team that's before us, and if we have some specific questions to the deputy, I think that would really go a long way to helping us with our task, and even elements of the presentation could be commenced at 2 o'clock by Ms Palozzi. I'd be comfortable with that. I think that will assist Mr Phillips, and I know Mr Sterling has some questions he'd like to ask of the deputy.

Mr Duignan: Most of our members have commitments between 12 and 2 o'clock.

The Chair: Then would you agree that the rest of the presentation be made at 2 o'clock, and allow for some time to have questions of the deputy from the members?

Mr Kaufman: Sure. We can go into questions and then shift to the presentation. That's fine; no problem.

The Chair: Thank you. Then at this point we'll allot 10 minutes to each caucus and that should do it.

1120

Mr Phillips: The thing I'm trying to come to grips with is, what are the real annual comparisons year to year to year? There are a few questions I would find helpful.

First, on sale-leaseback of things like these buildings, for me it's not a sale; it's essentially just taking a mortgage out on the building, and to me that is just like a loan. I wonder if we aren't kidding ourselves showing that as revenue when in fact it's a loan.

The second thing: You promised you will give us this

information in September 1995, but that's quite a way away. I'm aware of at least one thing where—we're now selling five-year driver's licences and it is I think your intent to show all of that as revenue. If this were a business, you couldn't do that. You'd say, "Listen, we earn that revenue each year that the licence is issued." I'm concerned that we are kidding ourselves on the revenue of the province.

On the expenditure of the province, I really worry about what we're doing with the unfunded liabilities in the teachers' and the OPSEU pensions. I'm aware that the government passed legislation allowing the money to be taken out of the fund and put into revenue, but to me, we the people of Ontario are going to take a three-and-a-half-year holiday from making any payments at all against the unfunded liability and what will happen is that the unfunded liability keeps growing—check me if I'm wrong—by maybe \$500 million a year, and then when the holiday is over there's a brand-new \$800-million-a-year payment: zero, zero, zero, zero, \$800 million. I'm wondering why we made that decision, as opposed to saying: "We should continue to make payments against the unfunded liability. it's 15% lower than we thought so we'll reduce payments on that."

Loan-based financing, because the province has 100% of the obligation for repaying the principal and interest, that so clearly to me is government debt. I'm wondering why it doesn't show up as government debt but shows up on school boards' books or hospitals' books but we, the province, have 100% of the obligation to repay it. And I see it's starting to grow: The Ministry of Culture, Tourism and Recreation now is starting on that loan-based financing.

I gather there are going to be about 3,500 public servants transferred into the capital corporations. All the caretaking staff will be put into the Ontario Realty Corp, all the people who work in the sewage treatment plants will go in there. What I think we'll see is a netting of the revenue that used to come in to the province on sewer corporations netted against the expenses. I'd like to know a lot more about that because my suspicion is that, for example, the Ontario Financing Authority will use the provincial debt rating to loan money and charge for that. I want to make sure we are properly accounting for each of those things, because I can see temporarily getting some revenue by loaning organizations money against the provincial guarantee, but that's a short-term saving, in my opinion.

On the capital corporations, I want to understand how, for example, the annual sewer and water grants are going to be allocated. My suspicion is that we may move to what you would call loan-based financing there too which is not, in my opinion, a loan. If the province has 100% of the obligation for paying it, it's a grant by a different name.

Those are my comments. What you're doing is obviously quite legal, but when you look at the numbers for annual comparisons—and we're not talking small numbers—in my opinion, we're talking \$2 billion to \$3 billion that is simply nothing more than reporting things in a different way.

Your last comment just before we got into this was that people who deal with the government, the public, want to know what the true state of the finances is. I'm afraid, with all these things going on—and these are just the ones that I can see with my limited energy; there may be other things going on as well that we don't know about—we end up kidding ourselves about the true state of the finances.

The reason I wanted to get all those out is that I'd like to be persuaded I'm wrong and then I'll shut up, or that I don't have the right information; that's useful too. There I'll stop.

Mr Kaufman: I just want to introduce Barbara Stewart, who's the executive coordinator dealing with our crown corporations in treasury board and who can help answer some questions.

Let me start with that one as it's the freshest, which has to do with the crown corporations transfer of staff. There are really only two corporations where there are, at this juncture, significant transfers of staff. The Ontario Clean Water Agency—I forget the actual number. Probably about a thousand staff are being moved over to that crown corporation, and with it obviously go the operating expenses associated with their operations. But also what goes with it is the revenue related to that. As you're aware, it's not actually 100% provincially funded; the municipalities pay for the operating costs of that particular function, so those revenue streams will be given over to them.

We are changing the structure around the way in which we finance the capital. We've made it clear that we're shifting to a loan-based approach to financing. There's also, accompanying that, a whole new policy on water and sewer which tries to balance conservation goals with economic development goals. Municipalities will be required, obviously, to pay to OCWA the costs of those loans, and that debt will be dealt with by the municipalities in that regard. We are shifting and have shifted on that one, and we've been I think pretty clear on that.

Mr Phillips: But the loan-based financing used to be the grants and you call them loan-based financing now, is that right?

Mr Kaufman: They used to be grants. They are now going to be loans.

Mr Phillips: And you have 100% responsibility for paying them?

Mr Kaufman: No, we don't. We have mixed responsibility. Traditionally, even in the grant system—I don't know the numbers offhand; it varies according to municipality—there was a variable contribution between the province and the municipalities.

The other key principle which we've adopted generally as a direction in terms of water and sewer is to move towards a more full-cost pricing model. That's something we're looking at and will develop a plan around over, obviously, some long period of time. There's no question that there will be a need for certain support to some municipalities which have a very low assessment base and can't afford to provide that level of support.

The basic principle, and I've made this point to you

before—I'm sure the Treasurer has numerous times—is that we're attempting to structure our capital in a way that begins to recognize that this is an investment, it is a physical asset that has a life to it; and in terms of the current account costs for that, it really is the principal and interest, where we have an obligation, those costs we're supporting. In that sense there's an accurate reflection and relationship between the current account accounting of that, as it were, and the real use of the asset, which I think are pretty sound public finance principles. That basically is being applied as a principle to the hospital sector, the school sector, the USH sector, as you mentioned.

I think those are the major points you raised about the crowns.

1130

On the loan-based financing, it is important to recognize that our obligations for capital vary very substantially between each sector. We don't have 100% obligations for hospital capital or school capital. They are shared arrangements, either with hospitals or school boards, so that's not an accurate representation of the relationship we have to—

Mr Phillips: What's not accurate?

Mr Kaufman: That we're responsible for 100% of the funding.

Mr Phillips: No. I said you every year provide roughly \$600 million in grants. You've switched that to loan-based financing and you've told them that you will repay 100% of that.

Mr Kaufman: Of that money, yes. That's accurate.

Mr Phillips: That's exactly what I said.

Mr Kaufman: Oh, sorry. That's accurate.

The Chair: Sorry, Mr Phillips, I have to move to Mr Sterling. We're going to try to divide this up evenly.

Mr Norman W. Sterling (Carleton): I'd like to pursue a little on the lines Mr Phillips has, but before I do that I have a general question. The Provincial Auditor said in the mid-1980s that our province was at the forefront of moving towards more progressive accounting methods. What's happened over the last 10 years? Why are we now at the tail end? If you look at these charts, it's appalling that only Newfoundland and we have made so few moves in terms of going to this more acceptable method of accounting.

Mr Kaufman: I don't know the history around this issue, but it's my understanding that the Legislature and the Provincial Auditor in the past felt that the current practices were acceptable ones. Various provinces have responded to the PSAAB recommendations gradually over time, and Mr Peters has felt quite strongly, obviously, that Ontario needed to move on this.

Quite frankly, until Mr Peters raised the issue, in our quarters this was not an issue we were really dealing with. Our feeling was that the current accounting practices were acceptable. There was no strong call for change. On a professional basis, both our finance people as well as the Provincial Auditor were looking at improvements along the way within the current framework,

but until this last year there's not been a major discussion or pressure to shift our approach.

Mr Sterling: Well, you haven't been listening to this committee, which I've sat on for three years. There was strenuous objection to the whole setup of the capital fund as being nothing more than playing with the books.

Over the past years, for whatever reasons, the governments involved in those times—and it's not the Legislature that hasn't been interested in it, it's the governments of the day that haven't been interested in it. They've hurt the credibility of our province in terms of our reporting and keeping clean books. That's the bottom line.

Mr Kaufman: Just on the last point, under the current accounting practices the provincial auditors previously have certified the accuracy of the books. Again I make the point that there may have been concerns, but in terms of shifting from the current approach to a new set of rules, at least as far as I know, until this last round of recommendations from Erik, there had not been a specific set of recommendations to make those changes coming from this committee. I may be wrong about that, but I'm not aware of it.

Mr Sterling: Unfortunately, these committees are always controlled by the majority and those in opposition who see problems are rarely heard.

You mentioned that the Ontario water corporation was going to take over 1,000 staff. I know that under a statute that was recently passed by the present government the cabinet can unilaterally declare people no longer Ontario public servants. Has that been done or is that intended to be done?

Mr Kaufman: No. These are what we euphemistically call schedule 4 agencies, and this staff will remain as public service employees and will remain in the official count of the number of public servants of the province. When you get numbers of public servants, they will be included.

Mr Sterling: You said there were two large ones. What was the other one?

Mr Kaufman: In time, the Ontario Realty Corp—I don't have the numbers; Barb, you may have the information—will be another one of the corporations which takes some existing line operations, and those will shift over. I think a substantial number of employees will move over. I'm not exactly sure of the timetable.

Ms Barbara Stewart: The realty corporation will have, when it's finally up and running, between 1,350 and 1,400 staff, and those staff will be transferring from the current ministry of the Management Board Secretariat with their functions. They will retain their status as public servants and their bargaining rights etc.

Mr Sterling: Could you provide us with a list of any of the other transfers of staff that will be taking place?

Mr Kaufman: There will be some. I think there's a small number in the Ontario Transportation Capital Corp, and in OFA there will be a transfer of staff as well, but they're not the same size.

Mr Sterling: To get back to the Ontario clean water corporation and Mr Phillips's line of questioning, you

mentioned there were some municipalities that cannot pay for their infrastructure and therefore will be repaying to the Ontario water corporation a certain amount of the cost of putting in the sewer. What happens to the other portion? Which body is giving the grant portion? Will that be the Ontario clean water corporation or will that be the government of Ontario?

Mr Kaufman: It will be the government of Ontario, through Municipal Affairs. To the extent that there's a subsidization of municipalities, it'll be through the Ministry of Municipal Affairs that the subsidy is given, but it'll be in relation to the principal and interest repayment to OCWA that's required.

1140

Mr Sterling: Let's say a municipality can pay for 25% of the cost of the sewers. So the Treasurer writes out a cheque for 75% and the Ontario clean water corporation lends 25%?

Ms Stewart: The 25% share that the province will not be providing is the responsibility of the municipality to raise and finance on its own.

Mr Sterling: The municipality can't raise the 75%—or do they have to raise the 75%?

Mr Kaufman: I don't know enough of the details here. Whatever the formula is that applies to a particular municipality, it'll determine what amount it has to pay out of its own source revenues. To the extent that there is a provincial share, some subsidy required in order for them to be able to make those repayments, we as a province will assist them with that, and Municipal Affairs will be providing that assistance, not OCWA.

Mr Sterling: Not the crown corporation.

Mr Kaufman: Not the crown corporation.

Mr Sterling: What assistance will OCWA be providing?

Mr Kaufman: First of all, they are the vehicle for reviewing and approving projects, and they will be providing the financing for the projects. In some cases, I presume they will run some, actually build some.

Mr Sterling: Let me go back a bit. The project costs \$100, okay? The municipality is deemed under the present rules to be able to pay for 25% of it, so they get \$25. They go out and borrow that on the market somewhere else, and they don't deal with OCWA, they don't deal with the Ontario government. Tell me where the \$75 comes from. Does it come from OCWA?

Ms Stewart: They'll undertake a loan with the corporations for their 75% share, for the balance of the project, in accordance with the formula that's in the municipal assistance program. The repayments of the principal and interest for that loan, as the deputy mentioned, will come from the Ministry of Municipal Affairs.

Mr Sterling: So you're just going from one over to the other.

Ms Stewart: The loans will be managed by corporations. We're trying to make this as simple on municipalities as possible, so they'll arrange a loan agreement through the financing authority. The repayment of that loan will come—

Mr Sterling: But is the Ontario taxpayer paying the \$75? The municipality doesn't assume any obligation, as I understand it, for the \$75. Is that correct?

Ms Stewart: The municipality is taking a loan—

Mr Sterling: They're doing that for their \$25, out in the world somewhere else.

Mr Jackson: Is this 100% financed by the municipality? What you've described is that it's 100% financed.

Ms Stewart: The municipality will take out a loan with the corporations. The repayment stream, the principal and interest to repay that loan over a period of time—

Mr Jackson: The full amount, the \$100.

Ms Stewart: No, for the 75% share. The example you're raising is one where the municipal assistance program would oblige the municipality to pay 25% and the province 75%. That's the example you've raised?

Mr Sterling: Yes.

The Chair: Thank you, Mr Sterling. I'm sorry, this is very interesting and I hate to cut it off—

Mr Jackson: Do you understand it, Mr Chairman?

The Chair: No, not really. We'll get into it further this afternoon, I'm sure. Mr Sutherland.

Mr Kimble Sutherland (Oxford): I must say this topic of discussion is starting to get a little repetitive for me. We went through this when we dealt with the capital corporations act in the standing committee on finance and economic affairs.

Mr Jackson: Can you clarify it for us?

Mr Sutherland: The questions that Mr Phillips raised he raised in that committee, he raised again in the pre-budget consultations, and now he's here raising them one more time.

As to Mr Sterling's comments about where the accounts used to be and the comments the auditor made, I suspect part of the reason things have changed is that PSAAB has also changed its standards over the years in what it's asked and required. Some auditors across the province saw fit to ask that it be done in a quicker fashion than other auditors have in terms of what they were comfortable with in examining the books.

The question I want to ask is related to the presentation. I notice you've attached the article from CA Magazine, the official magazine of chartered accountants. I had read this article when the magazine came out. Also in the same edition, I believe, was a very extensive article on the role of provincial auditors across the country and different things. When I read this article, I was trying to get a sense of their direction. Maybe it was just me, but I was left with some sense that even the accounting establishment is unsure how government should account for capital and how you should do that in the public sector. There isn't consensus on how that should be done. Am I reading this article correctly?

Mr Kaufman: I think so. I'd like Gregg Smyth to speak to this more directly. He's one of the representatives on the committee who's actually looking at this with PSAAB, and I think he can give you a bit more of a flavour about the state of affairs on the treatment of capital assets.

Mr Gregg Smyth: I think you characterized those discussions correctly. There are a lot of pros and cons about what provincial, federal and municipal governments should do about accounting for capital. On the one hand, there's a widespread perception that there should be more information and better reporting of capital spending, but on the other hand, it's balanced off with concerns about what people might do or say with that information, and what should be capital.

There's a given set of rules that talk about appropriate standards for what is an asset in capital spending in the private sector. The motivation there is to come up with a system of accounts that measures profitability. Clearly, when you're in a government environment, your perspective is very different. You need the same kind of information about your capital. You may want to have a split between capital and operating expenses, recognize that you're acquiring property that has value over time. The question is, how do you measure those costs or spread them over different periods to fairly reflect what government's doing?

A lot of the assets are very different too. When a government buys a park, for example, it's outlaid money. The park will have lasting benefits for many years, but in terms of a realizable value or a stream of revenues to justify it, it's maybe not there.

I think that within the accounting profession itself, it's very much an open question. The task force is studying what should be done, what changes should be made to reporting, what are user needs and objectives. It is working through. Our target date for that task force completion is in the fall of 1995, and that in itself I think indicates the complexity and the need to resolve these issues in a very thorough way before PSAAB is ready to issue any new standards with respect to capital.

The Chair: Mr Sutherland, the auditor wants to make a short comment. I'll add the time for you.

Mr Erik Peters: Just a very brief statement. The article that appeared in CA Magazine actually reflects PSAAB's status of the capital asset issue right now, which is at the issue analysis stage. What Martha Jones tried to do in that article was simply lay out the issues they're confronting, that they have to deal with. After that comes a statement of principle etc.

They're at the very beginning, and no wonder. We're all looking at these issues. That's why very specifically, in the agreement and the dealings the Ministry of Finance had with us and we with them, we are certainly a far cry from advocating recording off-capital assets holus-bolus in the public accounts of the province. It's not part of the recommendations we're making.

Mr Sutherland: Mr Sterling indicated that because in his perception the books hadn't been kept appropriately, he thought that hurt our credibility in terms of the province being able to borrow effectively on the markets. I was wondering if you had any comment about whether we've had problems borrowing.

Mr Kaufman: Let me deal with two points. The first has to do with the level of information we have been giving in terms of the province's finances. I take the

point that people may have different views about the way in which we're approaching crown corporations or capital or whatever. The point is that we have been providing that information in a very, very fulsome way. The budget lays out very clearly what the plan is and what the overall capital spending program of the province is, including the off-budget capital spending that's being taken through the crown corporations.

It leads into the point that you're raising. When we're sitting down with credit rating agencies and investors and discussing what the state of the province's finances is, they get the same kind of full explanation of what the province is doing on all these fronts. We go into very substantial detail with them, and to this point certainly we have not had a problem in addressing their issues and concerns and it hasn't affected overall our capacity to borrow to meet our debt obligations.

1150

Mr Paul R. Johnson (Prince Edward-Lennox-South Hastings): Just a comment and a question, and you may not have time to completely answer the question.

Opposition members in the Legislature left me with the impression, by some of the things they said, that there was a reluctance within government to change the model of accounting. I just wanted to put on the record that indeed the Ministry of Finance had established a committee to examine different accounting models, I believe in 1992, with a number of representatives from the private community and the public. Indeed the auditor was a member of that committee, I was a member of that committee, and others. We examined different models, as I said. There certainly was an interest within the government to examine ways of representing most accurately and in as simple a way as possible the accounts of the province for the people of the province.

The other impression that members of the opposition might have left with the public in regard to changing our methods of accounting was that it could be done very quickly. There's an enormous, complex task at hand here. I was wondering if you could detail that in the time we have left so that people can understand that this isn't something that just happens overnight, that it does take a period of time. That could be done this afternoon.

Mr Kaufman: Dina was going to go through that, because there are a lot of steps involved in the changeover. It's probably best if you do leave that issue to this afternoon. She can go through it and satisfy you of what the ministry is doing to implement the changes and try to meet the schedule of next September.

Mr Paul Johnson: That's certainly okay with me.

The Chair: We will allow the auditor to make his statement now, which is about five minutes, and it would be appropriate for ministry staff to hear the statement as well. Then we'll recess for lunch and come back at 2 o'clock.

Mr Peters: It's as if Mr Johnson read my mind. The magnitude of the task and the challenge facing the Ministry of Finance, particularly the office of the controller, in implementing the recommendations of the Public Sector Accounting and Auditing Board are daunting. In

fact, it was one of the many reasons I expressed my concerns as early as March 1993 to the Deputy Minister of Finance, the Secretary of Management Board and the secretary of cabinet, and in early 1993 I formally advised the Minister of Finance of my concerns.

It was evident that the ministry had also identified the need to review its financial reporting practices as in December 1992, and this is what you were referring to, the newly formed office of the controller established a working group to review recent trends in public sector accounting with a view to recommending ways to improve the value of financial information provided to external users.

In June 1993 this working group issued an advisory report entitled *External Reporting: Meeting the Needs of Users*. This report recommended a number of constructive changes to improve the usefulness of future public accounts such as: supplement the public accounts with an annual report, similar to that found in the best practices of the public and private sector; provide summary financial statements presenting the revenues and expenditures, and assets and liabilities, of government ministries and agencies; and provide information on the financial position of the province on the basis of accrual accounting.

We endorse these recommendations, as they closely follow the recommendations of the Public Sector Accounting and Auditing Board, and these recommendations contributed to firming up the commitment, I believe, to adopt the more prescriptive accounting rules.

As I stated in my 1993 annual report, the controllership function would be strengthened if a legislative framework mandating the rules and responsibilities of the function were established. To date, this function is in an evolutionary stage, and this may have been a contributing factor to the ministry taking concrete action with the implementation of the new accounting rules only near the end of 1993. While I'm pleased to note that progress is now being made by the ministry in addressing these and other issues, much remains to be done, especially in the short time remaining for us.

I would like to assure both the committee and the ministry officials that my office, while safeguarding our independence and objectivity, continues to be committed to working in a spirit of cooperation and reasonableness to improve the financial reporting in the province of Ontario. To this point, I've dealt with the use of the Public Sector Accounting and Auditing Board recommendations in the financial transactions and in the statements subject to audit by my office.

As you know, we do not audit the budget, and that's how it should be. However, I continue, as I did in my 1993 report, to advocate the use of the same accounting rules in developing the annual budget as I used in determining and reporting the actual results of the public accounts. This is the end of my statement.

The Chair: Thank you, Mr Peters. We will recess for lunch and be back at 2 o'clock for a question and answer session. Thank you to everyone.

The committee recessed from 1157 to 1409.

The Acting Chair (Mr Robert V. Callahan): I

understand you're going to make an opening statement now, so perhaps you'd like to do that.

Ms Dina Palozzi: As I understand it from this morning, we were going to proceed with our presentation and then we were going to get into questions, if that's agreeable.

I'm going to talk a little about what's involved in implementing PSAAB, a little about the timetable that's ahead of us, and perhaps very briefly, from a layperson's point of view, talk about what accruals are and walk through a few examples. Then Rob Siddall will get into a few more specifics, and Gregg Smyth will talk a little about capital assets and the treatment of those.

The Acting Chair: Could I just ask how long you anticipate this will all take?

Ms Palozzi: About 20 or 25 minutes.

As you know, the public accounts are based on the province's books, with millions of transactions worth billions of dollars in payments. They're currently recorded in individual ministry's books and records and also in the central accounts of the province, which are maintained by the office of the controller. The systems that support this were originally designed to support the province's current accounting policy of modified cash for the activities of the consolidated revenue fund.

To make the kind of changes in accounting policies that we're talking about will ultimately require that we introduce new systems in central accounts as well as in ministries and agencies. As you may appreciate, that's not something which can be done overnight and there is a significant cost to that process.

In response to the auditor's recommendations that the public accounts for March 31, 1994, be measured against the new standards of PSAAB's recommendations, we will prepare a snapshot of accrual and consolidation as at the end of the 1993-94 fiscal year in the public accounts of the province. The snapshot will be accomplished by asking the various ministries and agencies to provide, in addition to the information given on the payments and deposits during the year, a listing of their accruals as at March 31, 1994. This information will have to be gathered outside of the existing systems we have in place.

By requesting that information at one point in time, that is, at March 31, 1994, the government is able to at least meet the requirements this year within the time frame that we have ahead of us.

Provisions of in-year accrual information, that is, on a quarterly basis, or the adoption of accrual accounting in the budget and estimates would require major changes of the accounting systems and therefore cannot be achieved this year.

In your handout from this morning there was a set of tables we'd like to refer to. I think the first two were referenced this morning by Jay. Table 3 is an implementation schedule to give you an idea of the time lines taking us to September 1994. As Jay mentioned, we had indicated through the minister to Erik that we are moving towards the adoption of PSAAB recommendations in the public accounts for the current fiscal year, which ends on March 31. Table 3 outlines the timetable related to

meeting this objective and gives you a sense of the steps we need to take.

The staff in the office of the controller have been studying and participating in PSAAB discussions, as was pointed out this morning, since the inception of the board in 1981 and have over this period of time adopted many of the recommendations into the annual preparation of the public accounts.

In October 1993, in the office of the controller we began work on implementing for fiscal 1993-94 issues surrounding the outstanding PSAAB recommendations. Both the minister and the auditor have made it quite clear that this will be a massive undertaking—the auditor, Erik, referenced that this morning—involving the accounting for millions of transactions and billions of dollars. However, despite the magnitude of the task, we set a target we are prepared to work towards and have at this point in time every confidence we will meet.

Adopting the outstanding PSAAB recommendations will have major impacts in two main areas: accrual and consolidation accounting. We will go into a little bit more detail on the impacts of these recommendations on the province's books later in our presentation.

Adoption of the recommendations takes time at two levels. At the sort of more macro level, accounting staff within the Ministry of Finance must decide on an item-by-item basis how the policies will be applied to the diversity of the government's operations. In this regard we are regularly in touch with the Provincial Auditor's staff in order to keep them informed and to ensure that some orderly progress is made throughout the implementation process.

The Ministry of Finance staff will then inform all of the ministries and agencies affected of the changes to be made in their books and records, and the information and schedules that will be required by the ministry to prepare the public accounts. This information will then be gathered from those ministries and agencies in May and June of this year. The office of the controller will then accumulate and review this information and prepare the public accounts for review by the government and the Provincial Auditor for some time in July and August, at which time the Provincial Auditor provides his opinion.

While the PA's staff conduct their audit work on the underlying records which make up the public accounts continuously during the year, it is in July and August that we will ask the auditor to review the final package and to provide the opinion on the contents. It is our intention to have a final package making up the public accounts to be printed some time in September and tabled by the end of September with the Clerk of the Legislature.

In summary, while we believe this is a major undertaking of the Ministry of Finance and for the ministries in the government, we do believe we can make this time line.

As we mentioned, PSAAB is based on accrual and consolidation, the two major components. To talk a bit about an example of a layperson's understanding of an accrual, you have in your package a small example of what I guess we all commonly share: Visa bills. An

example of a household accrual is a Visa bill. If you receive your Visa bill in the mail on December 9, even though you will not pay the bill until the end of the month you've already incurred those expenses and you owe the balance to Visa. You would not wait until the bill is paid to recognize the fact that you've spent your money. If you're in the habit of producing personal financial statements in the middle of the month, let's say, on this year-end date the Visa bill is not yet paid and you would therefore set up an accrual to record your liability.

I didn't want to make that too simplistic, but I had to have that explained to me in that level of detail.

Another example in terms of the business of the Ministry of Finance is around sales tax receivables. An important example of an asset accrual is the setting up of all taxes receivable. This asset is created on the balance sheet so that revenues reflect the taxes relating to the fiscal year rather than the taxes collected in the year but which may relate to other years.

Consider the specific example of sales taxes receivable. There's an illustration in your package, I believe. Sales tax is collected from licensed vendors on a monthly basis. The amount of tax is calculated on the previous month's sales and is paid in the month following the sales. Under our existing accounting policies, the province records these tax remittances when they are received, that is, on a cash basis. Under the accrual basis, however, the tax collected on March sales, which is remitted in April, would be set up as a receivable at March 31 year-end date. The simplest way to go about recording this accrual is to wait until April and record the receivable for March 31 as the cash is received.

Under the basis of accounting, the 12 months of receipts between April 1 and March 31 are recorded in the province's revenue, whereas under the accrual basis the 12 months of receipts between May 1 and April 30 are recorded as revenues, with the balance sheet at the beginning and the end of the year reflecting the sales tax to be collected in the month of April.

Sales tax, of course, is one of the simplest of all the asset accruals. The subsequent cash receipts tell us exactly what would be set up as a receivable. In other cases, however, the actual receipt is not known at the time of preparing the financial statements. In these cases, an estimate must be made of the future cash that is expected to be received in order to set up the receivable accrual. This will involve estimating the accounts which are owed but which will not be paid.

The ability to accurately estimate the amount of the receivable accrual is further impaired in cases like personal income taxes where the actual receipt may be several years away, as you know, and it's difficult to accurately estimate the amounts.

In addition, we need to determine whether individuals will have the cash to pay their debts to the province. Where this is in doubt, we must estimate and set up an allowance for doubtful accounts as well, as at the balance sheet date, and record changes in the balance of the operations.

I would now like to ask Rob to go through some

further examples. Rob, as you know, is one of the assistant controllers in the office of the controller and is in fact the project leader of the implementation of the PSAAB recommendations.

1420

Mr Robert Siddall: Before I get into any more examples, I thought I'd better explain what PSAAB is and a little bit more about PSAAB. PSAAB stands for the Public Sector Accounting and Auditing Board and is a committee of the Canadian Institute of Chartered Accountants. CICA, the Canadian Institute of Chartered Accountants, is the group that sets up accounting recommendations for the private sector in their CICA handbook. PSAAB is really their recommendations in the public sector.

It was originally set up in 1981, and its mandate as outlined in its introduction to Public Sector Accounting and Auditing Recommendations was:

"To consider matters of public sector accounting and auditing theory and practice and to render on its own authority such pronouncements as it considers in the best interests of the community as a whole, and

"To provide for the growth of Canadian accounting and auditing literature for the public sector by encouraging specialized studies."

One of the important things it outlined in its first set of recommendations was that:

"In making its recommendations, the committee recognizes that no rule of general application can be phrased to suit all circumstances or combination of circumstances that may arise, nor is there any substitute for the exercise of professional judgement in the determination of what constitutes fair presentation or good practice in a particular case. Recommendations are not intended to apply to immaterial items."

I quoted that to again bring out the fact that what we have in front of us is a set of recommendations which we have to apply to economic transactions of the province. While the recommendations give us guidance, it is the requirement of us and of the Provincial Auditor to look at these recommendations and then to exercise our professional judgement in applying these recommendations to each one of the transactions of the province.

Since its inception in 1981, PSAAB has issued accounting recommendations in the following areas that apply to the province:

- Disclosure of accounting policies.
- Objectives of government financial statements.
- General standards of financial statement presentation.
- Defining the government reporting entity. That's what we would refer to as consolidation issues.
- Accounting for employee pension obligations in government financial statements, which is the unfunded pension liability that you hear referred to quite often.
- Accounting for government transfers.
- Accounting for loans receivable in government financial statements.

I've handed out as table 4 what I call the accrual continuum. The idea I had was to try and show you that

what we're looking at today and what we've done in the past can be viewed as a continuum between cash and full accrual.

At one end, a province or a household would just record its cash transactions without providing any information on future cash transactions in its balance sheet. Under that basis, your balance sheet would look very simply as cash in the bank, if it was a personal household.

At the other end of the continuum is full accrual. When we get to that level, we have to look at exactly what is on our balance sheet in terms of providing future benefits to us. In the research, some of the things that are included at that level are such items as human capital that was referred to in the capital fund paper back in 1990. That's basically recognizing that the province spends money today to support not just physical infrastructures but infrastructures in terms of education and training and health and other areas, and that our money we invest today in education will benefit the province in future years.

Needless to say, at that level, full accrual is not accepted either by PSAAB or by the Canadian Institute of Chartered Accountants as a reasonable accounting methodology to be followed. But I think it's important to realize that along this continuum there are needs of users, and if you can't necessarily meet all the needs of users in numbers, it doesn't mean you don't take the opportunity to provide information to users in other forms. I think Gregg will get more into the issue of capital assets next.

One of the things the government has been trying to struggle with, that all governments have been trying to struggle with, is how do we recognize that we spend money today that will have benefits to future taxpayers? And how do we maintain our investment in infrastructures that we've spent in the past and that we spend today?

I'll get into some examples now. I thought I would go through a sample on the payable side which is not complex and then move to a more complex example.

In the area of general payables, the province, back when it moved from accrual accounting to modified cash accounting in 1968, modified it on the basis that it believed that leaving the books open for 30 days would pick up most of the general payable accruals, and in most cases this is the case. When we look at our general payables, which I would call our payables related to office supplies, photocopying, staff costs, most of those payables are picked up within the 30 days after the year-end. By leaving our books open, we pick up the majority of those.

What we will do this year in terms of the public accounts is ask ministries at April 30 to provide us with a listing of any invoices they have not paid within those 30 days but that do relate to the period before March 31. That will be the rest of the pickup of our accounts payable accruals. We're going to take advantage of the fact that the current system does keep the books open for 30 days and that the ministries are used to gathering that information right now: We're going to ask them to continue to gather it that way and then do the accrual as

an add-on to the information that's currently collected.

When we get to a liability that is difficult to understand—and I'm not a pension actuary; I'm an accountant, and it is difficult for even accountants sometimes to understand pension liabilities—it's the next liability we have to look at. When I joined the government, I became a member of the pension plan. That pension plan very generally gave me the right to a pension, indexed for inflation, when I retire from the government of 2% per year of my last five years of earnings. It was either for my life or, if I so chose, for the life of my spouse, whoever lived longer.

Needless to say, what I've just introduced is a liability the province has in the sense that I make a cash contribution now and the province makes a cash contribution as well. But someone has to go out and estimate whether those cash contributions that both of us are making now are enough to cover the liability the government will owe to me 20 to 25 years out and for an additional 20 to 25 years, hopefully, if I should live that long. In doing that, they're going to have to make a lot of assumptions. The first one is that I will continue to work for the government and that I actually will live to continue to make contributions.

Interjection: What is the answer to that?

Mr Siddall: I don't know. We'll find out after today.

As well, they have to make estimates of that last five years of my salary, which hopefully—some people might say I'm extremely hopeful—will grow over the next 25 years and that my last five years of salary will be higher than what I'm earning currently and what I've earned over the last five years. They have to make assumptions about the inflation rates over the next 25 to 50 years and they have to make an assumption about how long I'm going to live and what the value is if my wife lives longer. All those assumptions are not done by accountants, thankfully; they're done by actuaries who are experts in this area, and accountants rely on those calculations to set up a liability.

1430

What the province currently does is disclose the liability, in the notes to the financial statements, that was actuarially calculated for purposes of funding those plans. But what the province is going to do under PSAAB is completely different, in the sense that what was before an actuarial calculation for the purpose of calculating what we should pay into the plan, to either cover our current contributions or to cover any unfunded liability, will change to what is required to determine what was actually earned by the employee in that specific year.

The one point I want to make in all this is that the assumptions can vary and in fact do vary, and the assumptions have a material impact on the financial statements. When we talked about the preciseness of cash versus accrual, it was in this reference: that some people criticize accrual because if I change some of those assumptions, if I change my inflation rate by 1%, I'm talking about a change in the total unfunded liability in the range of billions of dollars. When I look at a number on the balance sheet for cash, I can tell you with some

degree of accuracy that that cash is accurate to a dollar, but when I get to the unfunded liability that will move on to the province's balance sheet with the pension liability, I can tell you that number can be out in the range of billions of dollars.

When we talk about preciseness versus the value of information that is not as precise, that is the argument that's been going on in that area around accrual and cash.

One of the other major areas the profession as a whole is trying to deal with and that governments are trying to deal with is how we handle our investments in capital infrastructures. Gregg has been a member of the PSAAB subcommittee in that area, and I would like Gregg to proceed on that topic.

Mr Smyth: As noted this morning, we are here to talk about methods of accounting and how we change them, and what I want to get into in a little more detail is the work we're currently doing in the area of capital assets, fixed assets, capital property. I am a member of the PSAAB physical assets task force which has been set up by the board to look into questions of how capital property should be reported and accounted for.

By way of introduction to that, the focus for PSAAB and its recommendations has been on a conservative basis of showing a net debt or future revenue requirements as a bottom-line measure that was indicative of financial performance. When you look at our public accounts and the statement of financial position, you note that the only assets shown there are financial assets. It includes cash, near-cash investments, loans receivable and other items. There are only cash items. There are no inventories, there are no fixed assets there at present. The question that arises that we're studying within the Ontario government and also at PSAAB is, is that an appropriate policy to follow in the future?

As things stand now, none of the province's investments in any assets, be they government buildings, hospitals, schools or parks, are recorded on our balance sheet. Everything is recognized as an expense in the year it is incurred.

Clearly, unless people are very careful about how they manage their business, that can lead to some dangers. When those capital assets are expensed, they're invisible and people don't manage their assets as well as they should or keep track of them. It can influence, too, the decisions on the level of capital spending and the way it's handled in whether things are kept up to date and maintained properly, all because a dollar on capital spending is treated in the books exactly the same way as a dollar of spending on salaries or anything else.

We're borrowing some of the material from the article in CA Magazine which was distributed to you all that looked at some ideas and thoughts on reporting objectives and why it might be useful to get more information on capital.

One of the basic items there is that splitting spending between capital and operations would assist in evaluating what a government's current operating position is and what stock of property is then going to be held over the longer term.

One of the other related measures that might be considered to be quite useful is information on the ongoing cost of operating capital. Once the money is spent on a capital project, such as a highway, how much does it actually cost to keep that project ongoing and viable as time goes by? It's useful to have an indication too of the extent of capital property so that you can get an idea of how much borrowing has gone on that reflects investment in such property. Also, it might be desirable to reflect consumption of that capital property and the charge to operations through depreciation.

Other items related to capital that the group is thinking could be useful or productive would be information on the state of repair of capital property, what commitments the government might have for additional capital property, what environmental costs are related. A very important consideration for government is the ability to accurately calculate the cost of programs, and one of the items that is now missing for all governments in Canada is a spreading of the cost of capital across programs, so you don't know whether there's an ongoing portion of capital usage to keep a particular program going.

It's issues like this that are set out as the beginning. Those are all positive or nice things we'd like to see reflected and have more information on, but the tradeoff, one of the dangers people have pointed out, is that if you do decide to go ahead and recognize capital, fixed assets, and show them on your balance sheet, what's that going to mean to your basic measures of reporting and net debt? Is net debt going to disappear because governments across Canada might decide they have a trillion dollars worth of capital? What impact would that have on financial decisions? So it's by no means a simple, basic, one-sided argument.

As you go through this discussion mechanism, there are a lot of more detailed questions. The rules for assets typically set out represent concepts of economic benefit, and as I mentioned this morning, they typically apply in a profit-making situation where you're looking at an asset. Does it generate positive cash flows? What happens there?

If you only use that type of definition, you would capture a relatively narrow portion of government assets, but it's not too hard to look at that in a slightly different sense: that something may be an asset as well if you spend money today and save spending money in the future, ie if you buy a building now as opposed to leasing it over a period of years, and that fact should be represented in your accounts.

The trickiest part of this equation is the fact that you might also want to recognize service potential as a government asset, something that may not generate positive cash flow but something like a highway, which is part of the economic infrastructure of the province and clearly provides benefits to the populace as a whole. That would make that a service-providing asset of value.

As I said, the government at the present time expenses everything. All governments in Canada expense virtually all assets. There's a movement across the country in governments generally to change. This is reflected in the studies now being carried out by PSAAB. It's possible

that we might even see some other governments deciding to go ahead and recognize capital assets in their accounts before the PSAAB study is completed.

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One of the things we've been considering is really how much more work needs to be done and whether the government is in a position to implement capital assets now. You might appreciate from what I've just said that it's still not evident what exactly the best treatment of capital assets is. There's still not a consensus on a clear definition. From a government perspective, we're going to have to look very carefully at how costly it would be to proceed, to gather the information and to do all the work to change our method of accounting, and weigh that against the value of showing the additional information.

At this point, I'd just conclude that aspect of discussion and say it's something we're working on through the accounting profession, to participate in the framework and standard setting, but as well are doing our own work internally.

In the discussion this morning, there was reference to the study that was carried out in conjunction with people from the private sector and the Provincial Auditor. Part of that work also looked very closely at the idea of reporting for capital and the positive recommendation that you should proceed with that at some point. Still, much more work needs to be done there.

The other area I wanted to spend a little time discussing before I conclude my remarks is on consolidation accounting, which is the other component of the major change we're undertaking to provide in the public accounts this year. We talked about accrual before consolidation. One of the sort of hooks of that on to capital is the fact that many of our agencies, boards and commissions in fact do follow the private sector method of accounting. They're profit-making enterprises, several of them, and they record fixed assets and depreciate.

That's one of the issues that has to be addressed as we move into the other aspect of production of the public accounts for the coming year: How do we do the consolidation? What is included? The general concept there is that summary financial statements for the government of Ontario will be prepared, and they will include the results of the consolidated revenue fund, and agencies, boards and commissions for which the government is financially responsible. Separate financial reports for those agencies, boards and commissions will still be produced and most significant ones will continue to be included in the public accounts in volume 2, as they have been in the past.

The issue that arises is how all these other organizations will be consolidated and included in those summary financial statements. PSAAB basically sets out three types of government agencies and specifies rules on how each will be reflected in the financial statements of the government.

The most basic type of organizations are those agencies, boards and commissions that are essentially government organizations; a good example would be Ontario Housing Corp. The summary financial statements of the province will reflect all the details of these organ-

izations. Essentially, you'll add up every item on a line-by-line basis: You'll add the cash to the cash of the CRF, you'll add their accounts receivable and so on and so forth and all their revenues and expenditures as well.

The second set of agencies, boards and commissions are called "government enterprises." Those are organizations such as the LCBO. In the case of these organizations, they're characterized by the word "enterprise" and consist of commercial enterprises, which means their main business is carrying on selling goods or services to the public. The PSAAB rules reflect that, and the method of consolidation for these types of organizations is different. Rather than adding up everything on a line-by-line basis, the profit or loss for the year is added to the deficit or surplus for the year of the government and the net equity in these organizations, ie, the investment in those, is carried on the balance sheet of the province. So they're two quite different types of methodology, depending on the type of organization.

The third type of agency is a trust. These are under government administration. They're organizations that won't impact on the government's financial statements, because the government is not financially responsible for them, either their assets or liabilities. The prime example of this type of organization is the Workers' Compensation Board.

The last part of the consolidation exercise that has to take place is that which involves eliminating the transactions that take place between these different entities. So where a government enterprise sells to the government or vice versa, you have to eliminate these transactions; you want to represent the net activity that takes place rather than grossing up and overstating sales or expenses.

Hopefully, that will help to provide a brief explanation of consolidation and fixed assets. That's the conclusion of my remarks.

Mr Phillips: The fundamental thing I'm interested in as we move to this new accounting system is just some basis to compare year to year to year. You've got my own view on the problems we're running into right now as the government adopts quite new ways of looking at things that change the numbers year to year to year. Can the staff be helpful to us in terms of saying, "If we had reported this the way we've always done, here are the numbers"? I'm thinking of all the things on sale of assets, the loan-based financing, all those things where the government has adopted quite a different approach now. Is that a fairly simple exercise, just to show the eight or nine major ones so we can get some idea of year-to-year comparisons?

Ms Palozzi: There will be a reconciliation in the public accounts with the budget.

Mr Phillips: My problem with that is that we don't get that till September 1995, and that's a little late for me.

Ms Palozzi: Your question is about getting some information now on the treatment of it?

Mr Phillips: Yes, just as the budget is presented, saying, "If we'd reported it the way we used to report it, here's what the numbers would be." Is that possible?

Ms Palozzi: The point is that in going through this exercise we are looking at each item as we go through and doing an assessment of the change in the treatment of that item from our current method to the PSAAB method or to the accrual method. As we proceed, it takes time to think through. We have examples around looking at the consolidation side and looking at all the various agencies and going through considerations and discussions with the Provincial Auditor's staff around what is in and what is out. I think that process is going to take us a number of weeks to get to and to make those kinds of decisions.

Mr Phillips: This one's not tough for me, at least. You've decided to move to loan-based financing on school capital. You used to give \$600 million a year in grants. You'll still spend \$600 million, but you've changed the name of it; you called it a loan. Surprise, surprise. In my opinion, it's not a loan, it's a reverse loan: The provincial government owes all the money. I would find it useful personally if someone could tell me, "If we kept reporting it this way, here's what the numbers would have been."

Mr Siddall: We can do that right now on some of the things you've brought up before. For instance, the deferred revenue you referred to in terms of the licences will be handled in the public accounts on an accrual basis.

Mr Phillips: You see, my problem is that that's September 1995—I keep repeating myself—and that's a little late for me.

Mr Siddall: We can tell you that the answer there is that there will be a difference between what is in the budget and what is deferred. We could calculate out what that deferral is. If we take that first one as an example, when people pay for their licences now, they pay those on their birthdates. So what I have to do is go out to the Ministry of Transportation and sit down with them and try to figure out how many people have three and a half years left after the year-end on their five-year licence, three and half being three years and six months, how many have three years and seven months, how many have three years and eight months, and work out to get an exact number of what it is that we're putting in the public accounts. That's the simplest one.

When we get into the USH sector, I think we can give you an answer there too in the sense that those loan-based assets, when we consolidate the two of them together, will not show up as a loan. But when we get into such things as the questions you had on any sale of GO Transit or anything like that, until those transactions actually occur, it's very difficult for an accountant to give an opinion, because we have to go through all the documents supporting that transaction and all the clauses and ensure that all those clauses that have any future impact in terms of requirements or liabilities are in fact taking into their calculation what we're going to set up.

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Mr Phillips: Let me be specific. You're going to put a number in on revenue estimates for sale of licence. You'll do it all. It has to be in the budget. I'm asking for it to be reported on an accrual basis and on the way

you're going to report it. You've already moved, I gather, some government buildings into the Ontario Realty Corp and you are already, I suspect, charging yourselves some lease costs, and have figured out what you're going to charge yourself for lease costs.

I'm just saying, share that with us so when we see the deficit this year, we have some idea of what it would have been had we reported our finances the way we used to report them. I think the public is asking, "Is the deficit getting better or isn't it?" I've no doubt the government will report a deficit of \$7.5 billion and say it's getting better, but I've no idea to what extent it's getting better because so many of the reporting mechanisms have changed. If the staff can't help us, we have to do all the work ourselves to try and figure that out. I go back to the pension thing, which I think is another one where we can at least calculate what payments would have been made in there if you had chosen to do it on a different basis.

Ms Palozzi: As you know, the budget is not a set of books and it is a plan, a laid-out plan. There is full disclosure in that budget. In terms of publishing the public accounts, there will be a reconciliation from public accounts to the budget, and I think that on an item-by-item basis we're able to respond to you the treatment on a cash basis versus a treatment on an accrual basis. I'm not sure where you're heading in terms of the question: Can we know this? The point is that we have to go through this process looking at each item, how it's going to be treated, we'll have a reconciliation in the public accounts, and that's where we are.

Mr Phillips: Can you confirm when the public accounts for the 1994-95 budget will be available to us, the budget we're working on right now?

Ms Palozzi: September 30, 1995. That would be at the earliest.

Mr Phillips: Surprise.

Ms Palozzi: That is the traditional cycle.

Mr Sutherland: The SkyDome was a surprise too.

Mr Phillips: That's exactly why we've got to get at this stuff. That's why I said on the casinos that we should ensure that the people of Ontario are not responsible for the debt and the deficit of casinos, but you wouldn't buy that. That's why my suspicions are up.

Interjection.

Mr Jackson: And Minaki Lodge. That isn't going to get better. That's the point.

The Chair: Order, please. Mr Phillips, would you please direct the questions through the Chair, and we will proceed in that fashion.

Mr Sterling: Could I ask a supplementary question?

The Chair: If Mr Phillips would cede the floor. He has six minutes left.

Mr Phillips: Sure.

Mr Sterling: He can have some of my time back. On the same issue, the frustration you face, whether you're in government, the opposition, or a member of the public, is that the only key time for a document is the budget document, even though it's a plan. It seems that when the accounts are in, the horse is out of the barn and nobody

really cares at that stage of the game. Each year for the last three years the Treasurer has said, "The deficit's going to be this," but the speculation is that it's going to be larger than that. When the final figure comes out, it's news for about 10 minutes and that's the end of it.

The time that is of significance in the public's mind and I think in our mind is before that money is spent. People want to have an accurate picture about what's going to happen in the future because people are making decisions on the basis of the budget.

What I would like to see, and it may be what Mr Phillips is asking for, is that on these major what I call jiggering of the books we'd like to have an accurate picture at that point in time. For instance, the \$500 million-plus on the teachers' pension plan was obviously an accrual problem in terms of the budgets. It doesn't really matter whether we get a report of an accrual item of \$5 million. That doesn't really affect what the people are looking at when they're confronting that budget. Basically what we would like to see are those major financial impacts properly rejiggered so we can have a clear view of what is going to happen in the next year or what you're planning to have happen in the next year.

As we've seen it go on, we see more and more rejiggering of this with the capital corporations. We're concerned about what they're going to be misrepresenting, really, what is going to happen next year in relation to what happened last year and the previous 10 years. Nobody's going to have a picture when they look at this budget, because essentially the books have been changed. Nobody will be able to compare. People have about two or three hours to look at this and some of them are less skilled than others in looking at those books, so nobody really knows what's happening. As the government continues to change the books from year to year, it gets worse and worse.

Where the major expenditures are, the \$500 million we talked about in the pension, these capital corporations, and for me the workers' compensation, although in your consolidation criteria you say the government doesn't have any responsibility for the workers' compensation unfunded liability—I don't know what government isn't going to have to pick up that tab if nobody else is going to pay for it—those kinds of things are important to be consistently reported on.

Whenever you change the books, I think there should be an obligation on you to report in the method you've changed the books to, and in how the books were kept last year and how they were kept two years ago. In other words, you've got to give the public some kind of comparative data.

Mr Sutherland: You want two sets of books.

Mr Sterling: Well, your Treasurer has introduced that in terms of the capital corporation tax.

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Ms Palozzi: Let me make a couple of comments, then I'm going to ask Barbara to comment on the capital corporations.

In terms of the transition to PSAAB and the effort and time that takes, we have indicated that the budget and the

estimates will not be on an accrual basis this year. There is a lot of work that needs to be done in the changeover of systems to change to one method. We've looked at what other provinces have done. The provision of a reconciliation component within the public accounts is a piece that obviously we have to provide, as other provinces have done.

I understand the point you are making around information and availability of information. Erik referenced this morning a working group that had Provincial Auditor participation and external participation. We have a report on our table making recommendations around improving financial information to users of that financial information, and there are a variety of users and so on. We're looking at that as well.

One of the recommendations was providing an annual report, and we're pursuing some of those. We haven't progressed as much as we would have liked to in the last six months, given a whole host of other pressures on our agenda, but we are looking at that issue; it's not inconsequential. In terms of the budget itself there is disclosure in the budget. The statements in the budget are there in terms of the items that are being addressed.

Barbara, maybe you can comment on the capital corporations.

Ms Stewart: You're looking for some consistency year to year. In general terms, I think the spending plan you're looking for is the budget followed by the printed estimates. The commitment has been made to ensure that all the transactions you've discussed today are fairly and openly disclosed in the budget. They are all articulated, and we'll continue to articulate them openly year to year, from one budget to the next budget, so that comparisons of that nature can be made.

The reality is that the spending plans and the business of government evolve over time. I'm sure if we took a budget from 10 years ago and compared it to a budget last year there would be significant structural changes over a longer period of time, reflecting the kinds of business government is in.

But we have certainly made the commitment that—indeed, a couple of years ago a capital budget was introduced, and we've tried to display the components of that capital budget consistently year to year. We'll do the same with the capital corporations. The amounts that are being loaned out will be available in the budget, as they were last year, just very clearly marked as loans-based capital financing structuring. The printed estimates will show quite discretely the repayment streams, and those will be showing in the ministries which are actually responsible for those activities, and the businesses reflected by the capital corporations.

There's no attempt to be hiding anything here. We will ensure that there is consistency year to year in terms of how these things are reflected, but what we are looking at is a change in business practice that's going to require some form of change in the spending plan.

The Chair: Mr Sterling, the auditor would like to make a brief comment.

Mr Peters: Just to help out. That's a very good

question, a question that certainly has been considered by the study group task force that was mentioned before, but it's also something that is very actively being considered by the legislative auditing community.

One of the concerns we have as legislative auditors, and I certainly identify myself with this, is that there is very little accountability for the performance against last year's budget before the current year's budget comes in; in other words, that somebody takes a look and says: "This was last year's budget. This is what really happened vis-à-vis that budget. These are the assumptions we made, this is what actually happened, and this is the impact of the actual change on what is before you as next year's budget." This sort of accountability of past performance and impact on future performance is something that will have to be worked at in the long run, because ultimately—as I take it was one of the points of your question—that is really what creates the credibility of this process for the public.

The Chair: Mr Sterling, you have 10 minutes left of your time.

Mr Sterling: I have to give Mr Phillips some of my time back, but Mr Jackson wants to—

The Chair: You owe Mr Phillips five minutes by my count. Mr Jackson, if you would like to take a couple of minutes.

Mr Jackson: My question was following Barb's comment, and then the auditor highlighted it. As the Chair of the estimates committee I have some very strong personal reasons about how effective that committee has or has not been. I'm interested in getting a better sense from you on how we will report in estimates. I don't want to get into the debate of the optics of these changes. I just want to make sure they don't become invisible.

I'm interested in how they appear in estimates and I'm also interested in—maybe the auditor knows this—what is the responsibility now on municipalities, as an example, or school boards to report? We have a serious problem with the quality of auditing of school boards in this province, a very serious problem, just in the exact nature of reporting to the ministry as well as reporting to the public generally.

Perhaps someone can help me get a better sense of how they would be reporting in estimates—pick a ministry—and how they would treat the changes, whether it's the Transportation aspects of the new capital corporation, or pick Education. Can you just give me a snapshot of that? I think we can get the committee through the year adjustment, but I want to make sure of (a) how it's reported in estimates and (b) what are the responsibilities we're putting on municipalities to report to their communities about the true nature of their debt load? I don't want it to become invisible for them, because it's obviously resurfacing there, different from how it has in the past.

Ms Stewart: The overall approach in terms of estimates in terms of how the loans-based financing transactions will be reported: The expenditure implications that are now being adopted and taken over by the corporations themselves will no longer be reflected in

printed estimates, because indeed they'll be on the books of the corporations themselves.

Mr Jackson: And I suspect you would make annotations with respect to the fuller descriptions in the estimates books to explain where there's been a major drop.

Ms Stewart: We would normally do that every year.

Mr Jackson: I would hope you'd do that. I've been on estimates for seven years, and I've seen some years where it's been well annotated and other years when you had to go fishing.

Ms Stewart: We'll make every effort to show that year-over-year change. Less so in Transportation, because it's a very small operational issue, but in Environment and in Management Board Secretariat, those are the larger operating corporations.

Mr Jackson: What about Education?

Ms Stewart: In Education there's not the same implication for the printed estimates of the ministry in terms of a shift of operating expenditures because indeed all the change will appear in the capital side. Take Education; I think it's the simpler example. What will show up in the Ministry of Education is that there won't be a capital grant, as would have happened in previous years. What will show there is a repayment stream, because indeed the loan is being taken out by school boards and the school board would be under a legal contract with the ministry against that loan.

Mr Jackson: So you'd be showing that as revenue. Loan repayment is what you said.

Ms Stewart: The municipality is borrowing the funding.

Mr Jackson: Stay with the school board. We were walking through a school board.

Ms Stewart: Sorry, the school board. The Ministry of Education would show the repayment stream, reflecting the principal and interest payments on that loan, and it would show that as a budgetary outflow in the estimates of the Ministry of Education. So when you review that in estimates, you'll see that as an explicit budgetary transfer payment line in the estimates of the Ministry of Education.

Mr Jackson: And there would be an income, which would be the board's payment back to the province for the financing?

Ms Stewart: The stream of income would go to the financing authority which has actually made the loan.

Mr Jackson: So it won't appear on—

Ms Stewart: That's correct. The loans themselves will not appear in the printed estimates of that ministry. The repayment stream will appear.

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Mr Jackson: Without commanding too much of my caucus time, because I know Mr Sterling—

The Chair: You have one minute left.

Mr Robert V. Callahan (Brampton South): Do you want to hang on to that one minute?

Mr Jackson: No. I'm sure the Chair won't cut off the auditor if I ask the second part of my question to the

auditor. Without getting into the politics of where moneys and true debt is moving to whose books—it's going to surface in a more dramatic way at municipalities and school boards etc—what authority do we have to impose stronger accounting rules on those two jurisdictions, for example, to ensure that the public gets a better picture?

Mr Peters: There are really two parts to your question. The first one I'd like to answer in terms of the PSAAB initiatives themselves. PSAAB has just come out with a first set of statements about local government reporting which deals essentially with financial disclosure by municipalities. That is currently being put in and I'm really looking forward to some consistency being brought into that particular picture.

On the school board situation, it's a little more difficult inasmuch as the accounting or the auditing of school boards at the moment rests in the hands of private sector firms hired by individual school boards, who report on the finances of the individual school board. The Ministry of Education is entitled to receive those particular financial statements, as it does, but because there is very often mixed funding going to the school boards, provincial funding as well as local property tax funding, and as you know, there are even school boards which have no provincial funding whatsoever, the input is rather limited; they are only available for very limited financial analysis by the Ministry of Education. They are financial statements that show such things as what salary was paid to the teachers, what benefits they received, how much classroom—

Mr Jackson: I'm familiar with that field, but I just want to know—

Mr Peters: It's really not very good information to assess the operations of the school board from the point of view of really analyzing the estimates etc. It is another area of public bodies where additional reporting is required. The same is true, incidentally, for universities, hospitals, the whole gamut. There is very much a need to improve the financial reporting so the kind of decisions you're talking about can actually be effectively made by the ministry first and then be put forward as estimates. I hope that answers your question.

Mr Jackson: It does, and I thank you. I have a lot of concerns in that area, and maybe we'll have time to revisit this.

Mr Callahan: I've sat and listened to the reasons you've indicated about why it'll take you a while to adopt the suggestions of the auditor. I could accept those in total or just consider them to be delaying the matter, but for the purpose of argument, I'd like to find out, what does Moody's, the rating authority, think of the way you have introduced this new type of accounting since about 1990? Do they have any concerns about it?

Mr John Madden: My name's John Madden. I'm assistant deputy minister, office of the treasury. I can't speak to 1990 since I've been with the province just over a year, but I can speak to it of late.

In my discussions with Moody's and Standard and Poor's, what they do is they take the books of the province and adjust them for adjustments they feel are

appropriate to arrive at their own rating. They'll look at it on a much more private sector basis, and therefore they do make some adjustments.

Mr Callahan: So they would have seen the real deficit when they set their rating.

Mr Madden: With all governments and all authorities of that nature out there, they do make adjustments to the books as a regular routine, for their own assessments.

Mr Callahan: When provincial bonds are sold, do the people who buy the bonds get a financial statement?

Mr Madden: When people buy the bonds, they rely on primarily a couple of things: a rating, because they don't look into the results of the province—they can if they choose, but they generally rely on the rating, for the most part—and a name.

Mr Callahan: But they get a financial statement. Obviously, they're going to look at that and that's going to influence their decisions on whether they buy bonds of the province of Ontario.

It seems to me, just on looking at this whole scenario, that if a private enterprise were to do this and sell bonds, it would probably find itself in very serious trouble. It's imaginative accounting, but it's not relating the true picture at that camera shot in time that an investor is relying on. I think you have to agree with me in that regard.

Mr Madden: Where I can agree with you is what it should clearly focus on. An investor will buy a bond based on a rating. If a rating agency says it's AA, which we are, that's what they primarily focus on. They also look at information regarding the budget and our public accounts and they rely on deficit targets that are indicated over medium-term horizons. They don't look at any one particular year. If the rating agency had a concern, they'd have a concern.

Mr Callahan: Some of the concerns I've got have been expressed by Mr Phillips. The latest gambit seems to be that if you want to buy your licence plates for two years, you can buy them now, or if you want to buy your driver's licence for two years, you can get it now. In other words, all the revenue is being drawn in now, and if I understand this correctly, what you've done is you've deferred a payment that should have been made this year to the next fiscal year.

Mr Madden: I'm sorry. I'm not sure which transaction you're referring to.

Mr Callahan: This is the teachers' pension payment.

Mr Madden: I don't personally have familiarity with a lot of that transaction.

Mr Callahan: Well, whoever does can tell me that.

Mr Jackson: You've started sliding payments forward.

Mr Callahan: What I'm getting at is, if you slide the payment forward and you slide the revenues backward, I'd have to say you're attacking future revenues by collecting them now. Does that not create a difficulty for you? Does that not create a very unhealthy picture—this may sound partisan—for whoever comes after you, or if you people have to pick up the chips afterwards? You've

got money now, you've deferred payments in your accounting to a period of another fiscal year, and it seems to me you've just created a very difficult situation for anybody to determine what's going on. Is that a rhetorical question nobody gets to answer?

Mr Madden: I'm not sure what your question is for me, to be honest with you.

Mr Callahan: It's probably rhetorical more than anything else.

The Chair: You can get a brief answer and then the auditor wants to make a comment on this. Then I'll turn to Mr Sutherland.

Ms Palozzi: I'd like to ask David Ezer, from the ministry, to comment on it.

Mr David Ezer: Let me try to answer your question about the teachers' pensions. First, I heard comments before about a \$500-million saving. In fact, in the teachers' case it's only around \$375 million. The \$500-million figure refers to both plans, the teachers' and the public service's. In the case of the public service, we haven't received the evaluations yet and we don't know the size of the gains.

In the case of the teachers' plan, the idea here is that we have about \$1.2 billion of gains and the government has three choices in the matter: (1) to reduce the unfunded liability; (2) to reduce the remaining special payments for the next 37 years; or (3), as the government chose, to use it as a line of credit to offset the special payments.

I should point out to you that the gains have been realized because of the current economic situation. Low inflation and low wage growths resulted in gains. The very same economic situation gave rise to the fiscal pressure, and it would make sense, one would argue, that these gains could be used to offset the special payments in the short term.

Mr Peters: To get back to the opening comments of Mr Callahan, one point for clarification on the rating services: They essentially rate the province's ability to repay debt and the interest on the debt. They have a very narrow focus in their assessment, and the rating is given for that purpose and no other purpose. In doing so, they prepare all sorts of reconciliations, taking a lot of this accounting into consideration.

Maybe I misunderstood your question, but when you talked about the pension, the \$500 million, I thought you were referring to the ones we had in the auditor's report.

Mr Callahan: Yes, I was.

Mr Peters: In that particular case, \$584 million was to the teachers, but because the government had essentially been very open about this—this item had been specifically identified already in the budget for the year ended 1993—it was known to the agencies. It had effectively no impact on the rating, because they knew right off the bat, way back when the budget was approved, that that's what the government was going to do.

1520

Mr Sutherland: I don't really have a question. I just want to make a comment about some of the comments

from the opposition about the books being consistent from year to year. I think it needs to be reiterated that priorities of governments change year to year and other activities change, so to say there must be complete consistency year to year is not understanding some of the changes that do occur and the differences.

Mr Jackson: The elimination of the Ontario student grants program.

Mr Sutherland: At any rate, my sense of the goal is to move to a more consistent standard with the PSAAB and what it wants and what it's looking for; keeping in mind, though, that even with provinces that have moved to that, not everyone has applied everything exactly based on those recommendations and that sometimes professional judgement has to be used.

Mr Callahan: I got here late this morning. I'm not sure whether Mr Phillips asked you about the social contract. Did he talk to you about the social contract at all?

Ms Palozzi: Not this morning. He has in other committees. At the finance committee he's raised that.

Mr Callahan: You've given him the answer to it, have you?

Ms Palozzi: I've given him an answer, yes.

Mr Callahan: Well, let me ask you. We understand that \$700 million of the social contract savings in 1993-94 will be through a reduction in contribution to the teachers' and public service pension plans. I think Mr Phillips asked for an assurance from the government that this is a sound actuarial decision. Did he ask you that question in finance? Does that sound familiar?

Ms Palozzi: I don't recall the actual question he raised in the finance committee.

Mr Siddall: I think he made that comment.

Mr Callahan: Did he get an answer?

Mr Randy R. Hope (Chatham-Kent): Probably.

Mr Callahan: Can you give me that answer again?

Mr Hope: Check Hansard. I'm sure it's there.

Mr Callahan: I'm getting answers from my colleague which are most helpful, but I'm asking them of the deputants, not of the members.

The Chair: Mr Callahan, if you could direct questions through the Chair, that would be most helpful.

Mr Callahan: Mr Phillips said we've yet to receive the requested assurance from the government that this is a sound actuarial decision. He was writing this, actually, to the auditor, and perhaps the auditor recalls it. He says: "As you point out in your report, the two funds had a combined unfunded liability of \$11,780 million as of December 31, 1992. We need some objective assurances that the decision to reduce the planned payment by \$700 million is correct. We're afraid that much of the social contract savings may in fact be simply putting off to the future expenditures that should be recorded in the present."

Are we correct in our understanding that \$700 million of the social contract savings in 1993-94 will be through a reduction in contributions to the teachers' and public service pension plans?

Mr Ezer: As I said earlier, the numbers for the public service pension plan are not available yet. All we know is the teachers' pension plan. The saving in the case of the teachers' plan in 1993-94 is \$442 million. Now, whether this is sound or not, I can comment that three independent actuaries looked at the valuation, the actuary of the teachers' pension plan board, the actuary of the Ontario Teachers' Federation and the actuary of the government of Ontario. The three of them concluded that the method is sound, the assumptions are appropriate, the gains revealed in the actuarial valuations are reasonable in amount and the calculations are appropriate.

To reflect on the method of usage of gains, as I said earlier, the government had three choices, and the government sought the best way to deal with the current fiscal situation.

As far as the Ontario pension plan gains are concerned, we haven't seen the numbers yet and therefore I'm not sure whether we can realize the entire amount of the gains you mention.

Mr Callahan: I'd like to go to what I think is really neat—it sounds like Monopoly almost—the sale of jails and courthouses. When and if you sell those, I guess it won't be you who will sell them. The realty corporation gets to sell them, does it?

Ms Palozzi: Someone can help me here, but I don't believe we're talking about selling jail houses.

Mr Callahan: In the House at one point the Treasurer, if I'm not mistaken, either made a statement or comments to the effect that they were going to sell the jails and lease them back.

Ms Stewart: There was a comment made in the general government committee when the Capital Investment Plan Act was being debated. It was in response to a question about the kinds of assets that may be sold to the realty corporation, and at that point the plans of exactly which assets would be sold were in the formative stages. I believe the response at that point was an expectation that something in the order of \$500 million worth of a variety of property assets would be sold to the corporation and that those would include a wide variety of buildings. I believe jails were mentioned as well as courthouses at that time.

We're further down the road now in terms of exactly which assets will be sold, certainly in the current fiscal year, to the corporation, and there will be sales again in the next fiscal year. In terms of this fiscal year's package of assets, there are no jails in that list; it's concentrated on government office buildings, likely, and there will be some special-purpose buildings, including courthouses that are under construction now, as part of that transaction. At this point in time, there are no plans to sell jails to the corporation.

Mr Callahan: I'm trying to figure out how you get this on your books. When you sell an asset to this crown corporation and lease it back, how do you make a determination of what the lease payment will be, what the terms of the lease will be and all the rest of it? Is that an arm's-length transaction?

Ms Stewart: Those transactions are all being

reviewed to ensure consistency with business standards in the competitive market that the realty corporation will be acting in. Certainly one of the main purposes of creating that corporation is to be able to create a value for those assets, because indeed in our current accounting environment and on our current set of books those assets have no value, and there is a concern that we may not be using those assets as cost-efficiently and effectively as we should be, given the lack of value.

In selling them into the corporation, they take on a value. The valuation process is an industry standard process. Valuations are done by external valuers. Once the asset's in and is part of the realty corporation, it will be essentially charging the government rent for the use of those assets. By incorporating that charge-of-a-rent system, which is much more a business practice and a standard that companies would use in the economy generally, we hope to encourage more efficient use of those assets, because indeed it's going to clearly cost a ministry for its best use of space.

Mr Callahan: I don't understand. You say that on the books of the province now it has no value, and then when it's transferred to a crown corporation it suddenly gets it. How does that happen? I'd like to know the secret behind that.

Ms Stewart: We're actually reflecting in the sale agreement a valuation to that asset, and that valuation—

Mr Callahan: Yes, but if it doesn't have a value to the government now—I mean, you're creating a value between a crown corporation and the province. Just because you set a value on it, why should it have any value when it's transferred there, when it didn't have any value on the government's books?

Mr Hope: If you rent it to a private investor, it has value, doesn't it?

Mr Callahan: This is not a private investor, though; this is a crown corporation which is simply an adjunct of the provincial government.

1530

The Chair: Mr Callahan, you can continue with your questions. I just want to get a sense of the rest of the committee. I believe there are no further questions from government members or the Conservatives. Oh, Mr Jackson, you have indicated?

Mr Jackson: Yes, that if there was time I would like to pursue my line of questioning with the auditor. If I can't get any time from the Liberals, I'd be prepared to—

The Chair: I thought that earlier when I asked that question there wasn't an indication.

Mr Jackson: I thought maybe you were listening to me when I said it.

The Chair: My oversight. Given that there is interest from Mr Jackson, I will turn to him at this point. Mr Callahan, we have given you the last 10 or 15 minutes.

Mr Callahan: Can I just get an answer to why, when a crown corporation gets the asset, it has a value, but it doesn't have a value on the books of the province? I don't understand that.

Ms Stewart: The asset will have a value related to its

ability to command a revenue stream.

The Chair: Mr Jackson, you have the floor now.

Mr Jackson: When he leases office equipment as a law firm, it's all paid down to zero, but when he sells his law firm, he's going to sell his leased office equipment.

Mr Callahan: Yes, but it's to an outside party.

Mr Jackson: I think everybody in the room understands that, Bob. Maybe the auditor would like to help Mr Callahan.

Mr Peters: There really are two kinds of transactions. One is if the asset is sold to realize a revenue stream, and potentially the capital investment corporations may very well be set up for that purpose, so that they can generate a revenue stream which the province can use to finance matters and to undertake other activities.

Basically, Mr Smyth referred to that this morning in his presentation on the capital. For example, on the Ontario Realty Corporation having land or property that's owned by the province, it's turned over to the realty corporation and, under the current setup, we get into a fairly fancy number of financial transactions. Actually, the land is technically sold by the consolidated revenue fund to the corporation: The corporation actually issues a cheque, borrows money to raise the cheque, and therefore revenue is recognized in the consolidated revenue fund.

Mr Callahan: The debt is recognized by the crown corporation.

Mr Peters: The crown corporation will have a debt to the province, to the consolidated revenue fund, which in turn has now a receivable and revenue from the sale and will recognize that receivable as the debt is being paid off. This is where the two matters come in that we have raised and that I think the ministry has raised with you as well.

One is the matter of consolidation, that these transactions certainly get netted out against one another once the transaction is consolidated with the consolidated revenue fund. The basis for this is that we maintain, and I believe there's agreement, that this was not revenue earned by the government at this particular point. Of course, when the land is sold to a third party outside the government, revenue actually is earned and the combined entity will realize such revenue, but as long as it stays within the family, it just is knocked out.

The other point to raise, and I don't know how the Ministry of Finance feels about doing it, is that in the transactions we have seen this far great care has been taken to establish the value of property, in many cases by getting appraisals and by actually going to third parties and finding a value. It's not a frivolous assignment, and I don't think you were implying that—

Mr Callahan: I might have been.

Mr Peters: I just wanted to put it on the record that the valuation is very careful.

Mr Siddall: The only other comment I would make in that regard is that that value is included on that corporation's financial statements, and those financial statements are audited by the Provincial Auditor. The

auditor, when he reviews those financial statements, looks at that value to make sure it's a reasonable value.

Mr Jackson: Are those values re-evaluated downward in those periods of reverse inflation?

Mr Peters: Very much so, yes. In virtually all the assets, one of the aspects of the audit is actually to take a look at the value—are they carried at the proper value?—and any impairment is recognized. Conservatism dictates also that any gains are not recognized until we actually have a sale to an outsider.

Mr Jackson: What about the independence of the appraisals done? The ministry has a substantive number of certified appraisers within its employ.

Mr Peters: In the ones we have seen, the process has been that there have been a number of appraisers and a composite value is very often taken or the value is taken. Some rules are applied. If they are within a certain percentage of one another, they accept the average of the two values. If they are too far apart—

Mr Jackson: I understand. I used to have an appraiser's licence. It's just that you introduced the notion of outside appraisal.

Ms Palozzi: Barbara had indicated earlier that there are external appraisals as part of that process.

Mr Jackson: Is that a policy decision based on a certain amount or does it vary depending on the transaction?

Ms Stewart: In the context of the corporation itself—

Mr Jackson: I'm sorry. I'm talking current practice, not the new corporations.

Ms Stewart: Then I'm afraid I've lost your question.

Mr Peters: They are coincidental. Since I've arrived, there was a single transaction in the year ended 1993, a major transaction with—was it the Ontario Land Corp?

Ms Stewart: It was the land corporation at that time.

Mr Peters: It was \$400 million or something like that. They were all established on the basis of appraisal, and we gave an audit opinion on that.

Mr Jackson: The rule of thumb we used to use was that it wasn't really a transaction if the province didn't grab the land transfer tax.

Ms Stewart: An interesting rule.

Mr Peters: That may be another acid test.

Mr Jackson: The other way of putting it is that it's within the family.

I don't want to take up time. I can always call Barb and get a further explanation of it, but certainly it may have implications for charging the tax if it's off to that corporation, depending under certain circumstances. I don't know if there are any revenue implications. Anyway, I'll leave that.

I wanted to ask a final question flowing from Mr Callahan's question with respect to Moody's. It's a question for the auditor. Have you at any time in the process of doing your audit had occasion to talk to those bond rating agencies? Have they ever had occasion to call your office to have matters clarified?

Mr Peters: To answer the last part first, they have not called our office directly. We certainly had discussions with them at the time we were discussing the impact of qualifying the accounts, because there was a concern on our part about whether there would be a disproportionate reaction to what we were doing, essentially an accounting matter we were dealing with at that time.

Mr Jackson: That's in the realm of professional courtesy, just to help them to be able to assess our books for purposes of bond rating. Is that what you're saying?

Mr Peters: More, it was really selfish on our part. It was a pre-emptive move on our part to determine whether a qualification of the opinion would cause reaction in those quarters. The word we had back was that no, any improvement in the accounting rules would be considered as a plus rather than a minus by them.

Mr Jackson: Mr Chair, I'll leave the final question for your consideration, but not response. It may be that this committee or another committee might be interested in talking to one of those agencies. It's not been done in the nine years I've been at Queen's Park, but it may be something we wish to do.

The Chair: We did have a conference this past summer, where we did have representatives from the rating agency speak to the conference attendees about that very matter. It was rather interesting.

1540

Mr Jackson: As a member of the estimates committee, I make it a habit not to go on many trips at government expense. It's good policy when you're in the chair.

The Chair: This was in the city of Toronto, right up the street at Bloor Street and Avenue Road, one of the hotels.

Mr Jackson: Then I'm surprised I missed it. Those are usually the trips I get.

The Chair: I think one of the members of your party was there.

Mr Duignan: The material from that is available.

The Chair: Yes. Hansard, actually.

Mr Jackson: I'd be interested in those tough questions over dinner.

Mr Callahan: It was actually quite dull. As I recall, there wasn't a third-party member there.

The Chair: If I may, just to bring some order back into this afternoon's proceedings, which have been a little short on that, I must admit, Mr Callahan, do you have any further questions?

Mr Callahan: No, thank you.

The Chair: Then I would like to take this opportunity to thank the officials from the Ministry of Finance. You've been extremely cooperative, and I would like to thank members of the committee. We are adjourned until tomorrow at 10 o'clock, when we once again have officials from the Ministry of Community and Social Services before us. Thank you very much.

The committee adjourned at 1542.



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**In attendance / présents*

Substitutions present/ Membres remplaçants présents:

Haeck, Christel (St Catharines-Brock ND) for Mr Bisson
Hayes, Pat (Essex-Kent ND) for Mr Frankford
Hope, Randy R. (Chatham-Kent ND) for Mr O'Connor
Jackson, Cameron (Burlington South/-Sud PC) for Mrs Marland
Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)
for Mr Owens
Phillips, Gerry (Scarborough-Agincourt L) for Ms Poole
Sterling, Norman W. (Carleton PC) for Mr Tilson
Sutherland, Kimble (Oxford ND) for Mr Perruzza

Also taking part / Autres participants et participantes:

Ministry of Finance:

Jay Kaufman, deputy minister and secretary of the treasury board
Barbara Stewart, director, crown corporations and divisional support
Gregg Smyth, assistant controller and director, central accounting branch
Dina Palozzi, associate deputy minister
Robert Siddall, assistant controller and director, financial information branch
John Madden, assistant deputy minister, office of the treasury
David Ezer, manager, pension policy
Peters, Erik, Provincial Auditor

Clerk / Greffier: Decker, Todd

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 10 February 1994

The committee met at 1009 in the St Clair/Thames/Erie Rooms, Macdonald Block, Toronto.

ANNUAL REPORT, PROVINCIAL AUDITOR, 1993

MINISTRY OF COMMUNITY AND SOCIAL SERVICES

The Vice-Chair (Ms Dianne Poole): The standing committee on public accounts will continue in our endeavours, meeting with Ministry of Community and Social Services representatives to look at sections 3.04 and 3.05 of the auditor's report. I will begin with 15-minute rotations, starting with the official opposition.

Mr Robert V. Callahan (Brampton South): During our hearings with the Correctional Services ministry we looked at some significant sick days that were lost. I tried to tag them to the stress that was created by the non-availability of identifying people with HIV in the correctional system and what that did in terms of their concern about dealing with a prisoner if the prisoner had to have mouth-to-mouth or was bleeding or whatever.

Leaving aside the HIV situation, we've heard of the impact on cost-effectiveness of the number of sick days taken and staff salary levels at correctional institutions for older youths and adults.

What are the staff turnover and absentee rates in the ministry's residential facilities for young offenders? That's number one. What are the salary ranges and how do they compare with those of other provinces? That's number two. What links are there between young offender services, child welfare, institutional services and other services to achieve overall government cost-effectiveness and maximum benefit to the offender?

I was concerned there in a similar fashion, in terms of young people particularly coming into a program as young offenders. There can be a whole host of reasons they're there, but if one were to do a very significant, in-depth study of people in conflict with the law, we'd probably find that a large number of them have some form of learning disability—I call it the invisible disability—but the schools have either failed to identify the person or perhaps the parents have not noticed it and not pushed for identification. These kids get to about grades 6 or 7, it's been my experience in dealing with them, they drop out of school, and the next thing you know they're in conflict with the law.

In that third question, I'm looking for either something in place or something that might be anticipated, as I said to the people in corrections, in terms of the way it works in a hospital, where a nurse or a health care professional vets those who are the most serious and arranges for them to see the doctor on that basis. Triage is not the right word for this, but I would like to see someone, particularly in the young offender facilities, attuned to pick up on this problem and arrange to have the young persons tested. If we don't, they're going to wind up, sure as shootin', in the correctional system and that doesn't serve anybody's ends.

Those are a few questions. Maybe you can answer them backwards. I'm really more interested in the last one than I am in the first two.

Ms Sue Herbert: A test of my ability to follow these backwards.

Your interest in the learning disabilities area is of interest to me. I have a son who's learning-disabled, so when we draw the correlation to young offenders it always makes me personally very nervous.

If I can come at that question in a couple of ways, first of all the whole issue of early identification and assessment of kids is of prime interest to us in all of our programs. Because the universal system where kids are seen is the education system—I mean, all kids go to school—that becomes the really important piece for us in connecting education and early identification of issues into a prevention program for the ministry.

We've spent a fair amount of time working with our colleagues in Education doing some pilot programs, looking at ways we can work with Education on early identification and early intervention in a prevention mode. Better Beginnings, Better Futures is a fairly massive program that the ministry's involved with across the province, an attempt to bring schools, children's services agencies and health agencies together to do early intervention, early prevention, and then to do a longitudinal study, follow those kids through the system to see what happens to them and whether it works. We can certainly provide you with more information about that program.

Mr Callahan: I'd like to follow up on that. I've raised with the present Minister of Health, the previous Minister of Health and I think even the Minister of Health when we were in government this question, and you may not be able to answer this, but it's just food for thought when you're dealing with your interministerial stuff. We will pay for a kid to go see a psychiatrist under OHIP but, as I understand it, OHIP will not cover the cost of psychologists, and the psychologists are really the people who make these assessments on kids who have learning disabilities.

My major concern is that there are kids whose parents are either too busy or can't afford—the fact that the kids have a learning disability is not picked up by the school. It may not even be picked up in the correctional system. It dismays me that the correctional system doesn't have some sort of entrance identification, because I think we'd save these kids going back as recidivists. You might want to take that up with the Minister of Health, because as I've often said in the House, the money you spend now—it's kind of the like the mechanic, "You can pay me now or pay me later," and you'll pay for it in spades in the future in terms of correctional facilities.

Ms Herbert: That goes back to your question around linkages with other systems. By the time the children reach the young offender system, usually an assessment

has been done, a lot of the children come with a file. One of the challenges we have, and I think the policy framework is attempting to address it, is to intervene much earlier. We'll know by the time they hit our system if they have a learning disability, generally, but the issue is whether we should have known that five years before they hit our system. It's how we look at the question of a learning disability and its relationship to mental health problems, self-esteem, all of those issues, and where the right point is for us as a children's mental health system, or education and parents, to intervene much earlier, so that your assessment's at the front end rather than at the end when the kid's coming into the young offender system. That's really the challenge for us.

Peter, do you want to talk a little about assessment and the framework?

Mr Peter Gooch: In the policy framework, several directions touch on the issues you've raised. Sue's mentioned assessment. We recognize that lots of kids are assessed in many different sectors and many different ways, and one of the policy issues we're working on is a more consistent, common way to assess kids to support in part the earlier intervention you've suggested.

The policy framework very strongly addresses the issue you've raised about the need for links among the various sectors, of young offenders or children's mental health or child welfare or, for that matter, the Education- and Health-funded systems. It calls very explicitly for links at a local planning level among those sectors, and one of the requirements in the policy framework is that the programs we're funding, whether it's under the young offenders funding category or the child and family intervention category or the child welfare category, those agencies need to be sitting together in a local planning capacity. It is really hoped they can pool their resources at a service delivery level, but it also is our strong hope, and we see it happening across the province now, that putting those agencies and those different kinds of service providers together will let them identify the problems that all the kids they're serving face and support efforts to intervene earlier.

1020

Mr Callahan: I've been out there in the real world acting for young kids in young offender courtrooms. It should almost be part of the policy for preparing predisposition reports that the first thing they do is check whether the kid has a learning disability. I don't know, maybe it's because I've seen so many kids with learning disabilities that I can pick them out. It's basically an invisible disability, but I've seen lawyers acting for a client who's a kid, and I've leaned over and said to them, "Have the judge order a psychological report to test whether this kid has a learning disability," and the guy looks like, "What are you talking about?" I say, "Clearly this kid has a learning disability, and if it doesn't get done now, it may not get done." It may be a little late in the game, as I think was said, but at least you're going to pick it up. I've asked judges to order, as part of the predisposition report, a psychological testing basically because I figured the kid's parents probably couldn't afford it and he wasn't within a system where he was

going to be able to require it. The whole young offender system has its bad sides, obviously; the public hates it. But if it has one good side, its whole purpose was to ensure that young people who came in contact with the law would receive the kind of treatment that a good parent would like to give them in terms of turning them around. If that's the case, it seems to me that one of the key items is to ensure that in the predisposition report you get more than just what's visible, but you get what's invisible. I would certainly hope that in dealing with your policies you might think of that—and there's no question it'll cost—as being a major consideration so that the lawyer who is acting for the kid, who may not have any knowledge or understanding of learning-disabled kids, won't let this kid fall through the cracks. That's essential.

Ms Herbert: As we move forward on our assessment policy work, we can take that into consideration. You've raised a really good point.

Mr Callahan: Did you want to ask some questions, Dianne? I could take the chair if you like.

The Vice-Chair: There are only two minutes left. With the committee's indulgence, I'll ask a question from here as it is in a very non-partisan sense.

Earlier in the hearings this week, I asked you about the social contract and the expenditure control plan. You gave us a brief answer about the impact of the social contract being a 0.75% reduction, and for the expenditure control plan you gave us a dollar figure in the vicinity of \$4 million for children's services.

Ms Herbert: It's \$3.5 million for this year.

The Vice-Chair: At that time, I said that if you couldn't give a full answer I'd be happy if you could give us some written material. Do you have a breakdown of that \$3.5 million and where the reductions are going to take place?

Ms Herbert: I haven't brought that with me, but we could certainly do that across the allocation lines in children's. That's a \$3.5-million figure across all the program envelopes in children's, and it would be prorated against each line on a percentage basis. We have that upstairs. We can get that and bring it to you.

The Vice-Chair: I would appreciate that.

Mr Cameron Jackson (Burlington South): Are there any items we've asked for that you've brought with you today that we could have instead of getting those at 12?

Ms Herbert: There are two issues we tabled with the clerk this morning. One is the response to the question about the availability of beds in the past four years, I believe. That's been tabled. The other was a response to the question I think you asked, Mr Jackson, around order papers.

According to my records, we have one outstanding request for data, the request around profit and non-profit providers. The most recent figures we had are about three years old, so we've put a call out to our field offices to verify it. You know how our system works; it will take us a little while to get that information verified. But we've made the request and we'll table that information as soon as we have it.

Mr Jackson: Thank you very much.

I'm interested in the statistics that have been tabled about the youth court age of young offenders charged. It says over-17-year-olds, 1,041. Could you explain to me how a young offender would get charged at age 17? Is it partially because if they are classed as a young offender and serving their time as a young offender, if they offend while classified as a young offender that means they're treated as young offenders? How is it that a 17- or an 18- or a 19-year-old gets charged as a young offender?

Ms Dale Elliott: I can't specifically say how the Attorney General has done this. It may be that those charges—I'm trying to look at total Ontario—

Mr Callahan: But doesn't it go up to 17?

Mr Jackson: No, this is over 17, so these are 18-, 19- and 21-year-olds.

Ms Elliott: Under 18 at the time of the offence means you begin the process as a young offender. It may be that they record stats, say, on breaches of an order that was made while they were under 18, but that by the time they come back in in the breach, they're over 17. I don't know. That would be a quick guess, that it may be a breach or a wilful failure on the initial young offender order.

Ms Herbert: We can get an official answer to that. We'll check with MAG.

Mr Jackson: I'd like a fuller response to that, because my questions Tuesday around the matter of sexual assault charges between clients within facilities is a matter of major concern to me. I'm satisfied that there are sufficient protocols in place with respect to the potential for abuse of a client by an adult. However, the system admits, and I concur, that it's more of a challenge to ensure the same degree of protection between clients; much as it is in nursing homes, for example, to ensure the safety of one resident from an attack by another resident. The law and the police and all parties involved treat the matters differently. An offence which occurs by a 17-year-old towards a 14-year-old, in my view, is an adult court matter, whether they're in the facility as a young offender or not.

I have a large number of OPSEU members who reside in my community who, as part of their process of educating their elected representative, advise me of the circumstances around their employment and how well they can contribute to Ontario in their service. I would like a rather full explanation not just of that statistic but around the issue of how these matters are treated when there is a breach, as you referred to it, and the nature of breaches and so on.

When I read through the operating manual carefully, I really didn't get a strong sense of protocols on offenses between clients. Any fuller explanation you can provide would be helpful to me because of the security of the kids.

We do integrate our children. Unless you now have a policy change, that doesn't allow for segregating by level of crime. I don't think that's occurring in our institutions. The philosophy is that a young offender is in conflict with the law whether they've murdered or they're a

runner. I have difficulty with that, and how we mix our residences in my view is wrong, but that's my opinion. I don't think it's helpful to an environment of reform or rehabilitation or an environment which is essentially time out from the troubles they've experienced outside of the facility.

1030

Another question with respect to these statistics. This committee two weeks ago visited the remand centre at the Don Jail, where there were some young offenders in there but it was essentially a corrections adult facility. One of the senior staff members indicated that they had a very serious problem with the Vietnamese community, which had doubled within their population. It's clear to me that the corrections ministry is keeping statistics to help them better understand their client challenges. Are you doing anything similar in monitoring the type of client you're receiving, with respect to any statistical data that helps you to better understand and serve the needs of your clients?

Ms Herbert: We do not keep statistics around young offenders on race or cultural group. We do keep some statistics on our aboriginal youth, primarily to monitor what's happening with that particular client population in northern Ontario.

Many of you will be familiar with the interim report on racism that was recently released. In that report they reference the fact that in MCSS we do not keep stats. In our discussions in the ministry, we're going to await the government decision. The government's obviously going to take the recommendations around this under advisement through the interim report, and then there will be a later report in the fall from the commission, and we expect to have some position there around the monitoring of statistics by racial group. Our staff have some view of what's happening locally in their communities, but the ministry's official position is not to keep statistics.

We do try to do, and are going to try and improve, training for our staff around cultural issues, cultural sensitivity—

Mr Jackson: I'm sorry to interrupt. I've read the two reports of the last two years and specifically the one in the Syl Apps centre, Thistletown, which referenced incidents of racist attitudes among the officers—counsellors, I guess. I'm supposed to call them counsellors, right? They're not youth jail guards; they're counsellors. I want to make sure I get the—

Mr Tim Murphy (St George-St David): Except in the boot camps.

Mr Jackson: Well, let's go into the boot camp concept here for a moment. Mr Murphy raises an interesting point.

I would like to return to this issue around school identification and treatment. I'm familiar with pilot projects under the Better Beginnings program. Can you give me some specifics which are linked to young offenders or anticipating young offender-type conduct? Could you point me to one of them?

Ms Herbert: Off the top of my head, I can't. We have a report on Better Beginnings that we could actually

bring and table if you'd like. In terms of how many of them are targeted specifically towards children who we believe will end up in the juvenile justice system, off the top of my head, my sense would be that we're trying to work with kids at a very young age.

Mr Jackson: The whole system's working with kids at a young age. I'm not aware of it. I've read each of the projects, I've even read proposals that have been turned down, and I'm working with two in my own community. We're building breakfast programs, for example. But it's a leap to suggest that we can anticipate that a six-year-old who's going to school without breakfast and lunch is going to be a young offender in 10 years.

I used to chair the early school leave committees; the ESLs we called them until special ed grabbed that moniker. For eight years I served on early school leave committees, and it fixed my thinking around how inadequate programming was for kids who showed all the early signs of early departure. The laws allow a 14- and a 15-year-old to let go of the social responsibilities of attending school, and we were getting a large number of kids who had minor evidences of conflict with the law, but the system's way of dealing with that was to move them out of the schools. In one year, we pushed out 128 children. That's a large number of children in a region as small as Halton.

Can you speak to me at all about programs that are getting at the nub of kids in conflict, instead of the school board saying, "Look, this kid's a problem kid; we want him out of our school," which is essentially going to be the bottom line, because they still get their funding from the province for that kid even though that kid is now on the street and there's no real program linkage. It's been eight years since I was a trustee, but during my 10 years as a trustee, we were making little or no progress on a provincial basis in dealing with early school leavers and there was a high incidence of kids who had all the symptoms of conflict with the law. I mean, they were in conflict with their school.

Ms Herbert: Certainly that group is a high-risk group, and our ministry and SG and the AG are concerned that if kids are pushed out of the educational system, however valid the concerns of the schools are, that increases the risk that they'll come in conflict with the law. The three ministries, AG, SG and ourselves, as the deputy referenced on Tuesday, have now come together to form an interministerial group with Education to look at some of the issues around the school violence policy that's received a fair amount of press lately and how we can work together to make sure we're not moving kids out of one system and into another system without thinking about the programming needs of the kids. We have a couple of program areas Heather is going to speak to, where we're testing some stuff.

Mr Jackson: I'd be very interested in getting the details of that. Just to stay on this theme, I also have a concurrent concern with respect to the treatment of our courts towards children's aid societies when they bring forward a case involving a 15-year-old. I've been in court when the judge has said: "Look, this kid's 15. Why are we wasting the court's time with a 15-year-old and why

is the system going to do a year's paperwork when within three months they can say bon voyage to school and bon voyage to a whole bunch of things in society?" We know that exists.

To what extent are we doing anything within your ministry, as you did raise the issues of prevention, identification and treatment with respect to that cohort group. We get into early identification of runners, who have a high incidence of leading to prostitution. There is a whole series of now heightened urban problems, and some northern problems in this area as well, that surface with respect to kids who are getting streetwise where the system, in my view, suffers certain impediments when they go to court, suffers further pressures within the agencies you fund. That's all part of this problem, in my view. The courts can't act quickly, and perhaps there is a role for some more disciplined environment, which I'd prefer to call—I don't know what Mr Murphy means by a boot camp.

Ms Herbert: We can take that comment in two parts. We can talk a little bit about the boot camp approach, but Heather will talk a bit about what we're doing around that age group.

1040

Ms Heather Martin: For a number of years the ministries of Community and Social Services, Health and Education have been involved in looking at psychosocial supports for kids in the school system. There have been a number of background papers done. Sue or the deputy yesterday referenced this interministerial ADMs committee that was looking at speech therapy as one of its priorities. Another priority has also been psychosocial supports for kids in the school system. There are a number of projects being run across the province addressing kids in high school who are experiencing some problems that inflict on them in their ability to learn and benefit from the school system. There are a number operating in Toronto, in Ottawa, Mississauga, several across the province. A number of them do address the population you're talking about. Oolagen here in Toronto is running a program with the Metro board of education, a secondary school, that is specifically designed to address that target population.

Mr Jackson: They receive funding directly from MCSS?

Ms Heather Martin: Yes, they do. In addition, there are a number of alternative school programs that are designed for kids who cannot benefit from the normal structure of the school system. Those are not funded by MCSS, they're funded by the Ministry of Education, but they're felt to be particularly effective in ensuring that some of those kids who would leave because they don't like the structure get their educational needs met. It's an ongoing problem we've been working with the Ministry of Education to address, ever since I've been at the ministry.

Ms Herbert: The dilemma for all of us who work with children, whether it be in the education system or through the work Community and Social Services does, is that if we don't focus on what makes kids healthy, we're never going to be able to afford to intervene at the

problem point when they're 16. Our need to focus on our integration with education, our integration with our child care system, parents' responsibility, all of that has to come together in some way that allows a child to grow in the healthiest way possible, which is why the focus on prevention.

Just to go back to the boot camp question—

Mr Jackson: Who asked you the question about the boot camp?

Ms Herbert: Well, you referenced it.

Mr Jackson: No, Mr Murphy did. If he'd like to pursue it—I'm familiar with the ones in the US and their success rate, if you wanted to talk about that part of it.

Ms Herbert: It was the success rate I was going to address.

Mr Murphy: I'd love to hear the answer.

The Vice-Chair: Officially the 15 minutes has expired. However, members of the government have indicated they have no further questions, so I'm going to open it up on a first come, first served basis. If you want to continue your questioning for a few minutes, why don't we do that?

Mr Jackson: Thank you very much. Sue, you referenced earlier, and I'm pleased you did, about speech therapy as a priority, and I'd like to get some additional information. Our hospital just shut down its speech therapy program, the school board refuses to put one in place, Doug Brown at Children's Assessment and Treatment Centre is stretched to the limit, so we now have about 120 children on waiting lists. Two new private practitioners have moved into my community, so I'm now screening the waiting list, which I'm working with, to find out who can afford private assistance and who can't. It's not a really pleasant system to work in.

I'd be most anxious if you could give me the information around the program you referenced with respect to speech therapy as a priority. I'd like more information on that, because I certainly want to come after the government to try and salvage this program in Halton, where too many of our speech therapists are going into private practice and that's creating two tiers for children's services. It's clear. I'm getting families to raise the money so their child can communicate in one language, whereas others can afford it and they're not pressing me because they can afford it. But there's a large number of families who can't who are on this waiting list.

This program just collapsed a week ago and I have a meeting Friday with Doug Brown at Children's Assessment and Treatment Centre. We're trying to reconstruct some services within Halton region which are failing badly.

Ms Herbert: I doubt I'm going to tell you anything you don't know, but essentially, across three ministries we've had a variety of responsibilities grow up across the province for who's accountable for speech therapy. Whether it's provided in a children's mental health centre or whether it's provided through the education system, there's a large need in the community that works with developmentally handicapped individuals. Depending on history, funding and community need, it's grown up

differentially across the province. One of the issues that clearly has been a problem for this program area is who's accountable for seeing it's delivered. That's essentially why the three ministries, Education, Health and ourselves, have gotten together to see whether we can't be clearer about accountabilities and be clearer about ensuring that some minimum level of service is provided consistently across the province. It's a policy focus corporately—

Mr Jackson: It's not a funding priority, it's a policy re-examination priority.

Ms Herbert: One follows the other. When we talk about being accountable for it, it follows that funding accountability is also an issue.

Mr Jackson: Well, Health just bailed out of it, and they told the hospital that's an appropriate service to cut.

Ms Herbert: I'm not familiar with this particular case.

Mr Jackson: That's fine. Oakville Community Living, in concert with the facilities there for developmentally challenged kids, has three speech pathologists working there and Oakville hospital has three. But Burlington now has zero. There's 125,000 people there, with zero. There's an adult one, but there's not one for children. The turf war—I'm sorry, that's unfair. The resolution to the question of who coordinates it to ensure a minimum level of service is a critical issue in my community. We can no longer wait. We now have to go out and buy the services, raise the money for the services or find it. Right now we can find it if you're rich. We need help soon. I'll leave it at that.

You've clarified what's meant by speech therapy as a priority. I just hope we resolve the primacy issue there and get on with providing services to these children.

Mr Murphy: Before I go on to some other things, I'd like to hear your answer to the boot camp question.

Ms Herbert: I'm going to let Dale answer the question, as she's led some of the research on this program area.

Ms Elliott: As you know, we've never had any boot camps in Ontario. The programming we have delivered goes back to the kinds of principles of YOA and CFSA that have been talked about in the previous days here. What we have done in continuing to find what's most effective is to watch the research and read the research of other jurisdictions that have tried boot camp. The stuff we have been able to read, mainly out of the States, every research and evaluation I've read clearly demonstrates that there is no long-term benefit to the boot camp approach in reducing recidivism. That's reading other people's evaluation and researches.

The research we began in 1990 to look at risk and need and indicators that would be predictors of recidivism and what the components of effective programming are did an analysis of over 500 research evaluations of different kinds of interventions in North America and in European jurisdictions. The consistent finding of those evaluations, which range from programs running since the 1950s to current, is that providing tougher and longer sanctioning in the absence of appropriate interventions does not reduce recidivism, and in fact that just to

provide tougher, longer sanctioning with lower- or moderate-risk kids increases—by your intervention increases—the chance of a youth reoffending.

Those kinds of programs and different interventions are ones we watch carefully to learn from, but a lot of that background and research would be the reasoning why in Ontario we've never embraced a boot camp approach per se.

1050

Mr Murphy: To be fair, there's probably a feeling among a lot of people that what kids really need is a disciplined environment, structure, a sense of "You've got to wake up at this time, you go to bed at this time," even if it's not a longer sentence; but that in the time they're there, we're a bit more strict with them, that that's what they need and it would help give them structure. Does the research talk to that issue?

Ms Elliott: The research very much supports interventions that are a bit of what I talked about the other day: staff interactions with youth based on role modelling, modelling good behaviour, modelling structured behaviour, giving life skills, helping youth to role-play possible ways they can handle difficult situations and learn new approaches and predictability, setting fair and consistent rules in a framework and being predictable and consistent in doing that with the youth. All of those kinds of things are supported very much as being effective with youth.

Those are the kinds of things in our programs. When we had the earlier discussion with Mr Jackson about treatment versus the other, those are all components that all of our young offender programs have. It's a structured day that combines education, leisure, counselling, life skills, all those components put together to make a predictable, supervised day.

Ms Herbert: You used the word "structure." That's one of the key components in programming. The question is how to teach children, especially at that age in our system, to maintain structure when they leave. That's really part of what we attempt to do, because at that age it can't be imposed upon them outside of a contained facility. They have to learn to impose their own structure.

The Vice-Chair: Mr Murphy, when you're finished that particular line of questioning, Mr Jackson has a supplementary—just when you're ready to switch.

Mr Murphy: Before I became an MPP, I did prosecutions part-time.

Mr Callahan: It's the wrong side to be on, but go ahead.

Mr Murphy: Some people would say it's the right side to be on. I did defence work too. I also occasionally did some young offender work and I saw the people on whom a lot of the concern about the Young Offenders Act is focused, those people who were standing in the prisoner's dock going, "This is a joke." They'd laugh at the judge, they'd laugh at the court, they'd laugh at the process, and being sent off to a YOA facility was their view of a slap on the wrist at worst.

As you were giving the answer, Mr Jackson made the comment that we want to create an atmosphere they don't want to go back to. What's the balance? I don't think

there's any doubt that the notion of boot camp is responding to the public sense that something's gone awry. How do you strike that balance? I talked about structure. Is there an environment you create that gives the positive role modelling while it has the discipline that probably the public would want to see and maybe creates in the minds of those who go into the young offender facility that maybe they don't want to go back?

Ms Herbert: Having visited many of our facilities, and remembering that these are children from 12 to 16, while it provides children with a sense of structure and, if you like, safety—and for some of our children, they have not had structure nor safety in a large part of their lives.

Mr Murphy: Absolutely.

Ms Herbert: One of the challenges it presents for us in our programming is that balance between teaching the ability to carry some of that out with them so they are not driven back into the system by their own needs for safety and security, and at the same time having a program that carries some societal sanction so that it feels like there is a societal—I avoid the word "punishment," quite frankly, because it conjures up visions of isolation and—

Mr Jackson: There is no punishment in the young offender facility. Describe a punishment in a young offender facility.

Mr Callahan: They deprive you of your freedom.

Ms Herbert: Yes, the fact that you can't go where you want when you want.

Mr Jackson: You can't go swimming, you can't go to the wood shop, you can't play Nintendo.

Ms Herbert: Depending on the level of disposition you have, to live in one room that's concrete block with a cot and a moulded fold-out desk in one corner feels somewhat deprived. It would feel somewhat deprived, from my perspective.

The balance in programming we provide is really the key. Dale, do you want to talk a bit more about this?

Ms Elliott: I guess the questions just evoke a very personal response. Through years of seeing those young offenders when they arrive in the facility, after the attitude in court that is very blasé, that it's a joke, many of their responses are very different once they arrive and realize that deprivation from family, friends, community and freedom. It's a difficult balance.

Mr Murphy: Cam, did you want to do your supplementary?

Mr Jackson: I was surprised when Dale referenced studies of boot camps from the 1950s, because I think Mr Murphy's reference to boot camps is the post-1989 phenomenon of boot camp, which is a short-term intervention as part of the program, as I understand it, in the jurisdictions that I've looked at in Florida and elsewhere. This is not prescribed. It's generally when persons have breaches and this is sort of: "You've had two offences under the regular young offender program. Now you're off to boot camp for a month and a half." Also, it's divided by the seriousness. The Americans have no

difficulty determining degrees of violence and degrees of offence when it comes to young offenders.

When you referenced the 1950s, the only ones I'm familiar with are ones like—the Catholic school system had boot camps. In the public school system, I remember even as late as the 1970s and 1980s, when I was a school trustee, we were tracking the whole OSR. You'd see a kid who was in trouble in a Catholic school and then they'd disappear for a year off to some facility which was boys only, very strictly disciplined.

Are those the kind of boot camps that were experimented with by the Catholics in this province that didn't work? I don't know what you're referring to by boot camps here. My reference, and maybe Mr Murphy's, was to the ones that have grown out of the young offender type of environment.

It's not a perfect system. The new Liberal minister in Ottawa has said it's not a good system and he's looking at making some major corrections to it. We're not here to pick holes in it. We're simply saying that these 1990s-defined boot camps are a different phenomenon. They're not for all young offenders, they're for certain serious cases, and they are when breaches occur. We don't have a system for serious breaches and so on.

I think you're trying to compare apples to oranges. Maybe you can tell us, what boot camps we are talking about? Are we talking about the horror stories of Grandview? I don't think Mr Murphy and I were suggesting that there's any role for that in Ontario, nor do I think you were, Dale.

Ms Elliott: No. If I could clarify, the two kinds of evaluation and research that we've been watching are the specific evaluation of individual programs in the States, and those go right up to the fairly recent ones. The studies I mentioned going back to the 1950s were in the research we did. We did an analysis there of a range of programs for young offenders, some of which started back in the 1950s and up to the present. So those two separate pieces of looking at it, and certainly we have been looking at the literature and the programming and some of the approaches in Florida and getting some of the comments and evaluation and feedback of the approaches they've taken there, how that's worked out; a lot of the studies out of California as well, where they've got large volumes of young offenders, many of whom have very serious offences. We continue to watch and try to be informed by that literature and other jurisdictions.

1100

Mr Jackson: On that last point, the recidivism rates in Ontario are about 50% reoffenders. That's what you've told us. The recidivism rates in these—I'll use Mr Murphy's phrase—boot camps, that are for a small percentage of the young offender population in the state of Florida, are extremely high, disproportionately high for that cohort. That's what we're told. That's what the CBC reported when it did a major show on it. What you're saying is that on average, when you look at all the information over the years, statistically you don't see much change. Have you got some recent information on the ones in Florida that you're studying that you can

share with either this committee or those of us who are interested in it?

Ms Elliott: I would have to check back with our policy branch. I know they have had some recent material from Florida. I don't know whether it would be specifically the programs you're referring to, but I could follow up on that to see if it is the specific you're talking about or some other programs and approaches in Florida.

Mr Jackson: I'd appreciate it if you'd share some of that more recent information. I'd like to know what you're analysing, if we can have a look at that as well. I certainly hope for the record we're not in any way comparing those to the experiences of those facilities, whether they were run by the Catholic church for its school system or whether they were run by us in Grandview. In no way is anybody in any political party suggesting we go back to that.

Ms Elliott: In terms of your comments about needing a range of programs, and that there may be different interventions for chronic offenders, for serious offenders, we totally support that. Part of our looking at effective programming is to say there may well be different approaches for different kinds or categories of offender that, in structuring our range of programs, we can be advised by and learn from.

Mr Murphy: Your last comment about different programs for different individuals, the chronic, serious offender, when you were giving your answer there, I was talking to Stewart Floyd, who lives in my riding. He was actually my MPP-for-a-day. He was commenting on his view of the system. He's had some sense of it by being in high school, and classmates who have experience in the system.

Mr Jackson: He was visiting the Don jail with you.

Mr Murphy: That was another one, Francis Lee.

Mr Callahan: Neither one of them will ever run for politics, I would think, having seen how it works.

Mr Murphy: His comment was that you need a range of programs for different people. He also said, and I think rightly so, that you can put someone into a structured environment, give them positive role models in that environment, but what happens when they go back afterwards?

I actually was wondering what you do after they come out of a secure facility or even an open facility, to keep track, to give them an opportunity to escape the circumstances that caused them to be in there in the first place. Obviously, that assumes a societal-cause-of-crime argument; not necessarily, but certainly there is an element of that in criminal actions by youth, by young people, that the social setting is going to be part of it. Can you just give me a sense of what it is that is out there for follow-up?

Ms Elliott: Some of that will depend on the disposition. For example, if we had a youth who had a secure disposition with no probation to follow it, the way we would come to that is that when the youth was first introduced into secure custody, in our case management plan we would be trying to identify what supports could be involved with that youth during custody that will

prepare and support him or her on their release, and doing the referrals to linked supports in the community. That may be a children's mental health centre, it may be going to live with an aunt or an uncle, returning to parents, getting parents hooked up with a community resource. If the disposition ends with release from secure custody, we would have done a role in planning during custody to introduce supports and make referrals.

If we had a youth who maybe had a lengthy period of secure custody and, after a portion of that sentence, was doing well but part of our best recommendation would be that the youth should be in the community with some kind of supervision, the legislation provides for opportunity to go back to court to request an altering of the disposition. For example, we may go back to the court and recommend that the remainder of the sentence be put into open custody, where the youth could be in a group home in the community, or we may recommend that the balance be converted to probation, where we could continue to provide supervision in the community.

If a youth has an order that may be secure custody for eight months followed by six months' probation, again we would build that in, knowing we are with that youth six months in the community to do the regular reporting, referral to other agencies and support to the youth.

Mr Murphy: None the less, we have about a 50% failure rate for males and a 33% failure rate for females, is that right?

Ms Elliott: Those were the Canada-wide statistics.

Mr Murphy: And we're not sure in Ontario?

Ms Elliott: I couldn't give you a specific Ontario rate.

Mr Murphy: But you would be surprised if the variance from those figures would be plus or minus 5%, I would think.

Ms Elliott: Most research on recidivism confirms that any jurisdiction is looking at a 30% to 45% recidivism rate among young offenders. So those Canadian ones would match—

Mr Murphy: Is that an average, male and female combined average?

Ms Elliott: Yes.

Mr Murphy: Is it the pattern that there is that significant difference between male and female?

Ms Elliott: Yes, from anything I've read.

Mr Murphy: Do we know of anything that shows that there are some jurisdictions that have a much different recidivism rate?

Ms Elliott: I'm not aware of any specific jurisdiction. There are individual programs and approaches that show more promising rates of reduced recidivism.

Mr Jackson: Why do we not have those statistics for Ontario when you're obviously reporting, under the protocol of the Young Offenders Act, to the federal government?

Ms Elliott: What we report into the federal government, the Ontario stats, are admissions and days of care and number of offences. We have not had the ability at this point to provide recidivism stats to the federal government.

Mr Jackson: Could you ask the federal government how it arrives at recidivism stats and what its understanding is of Ontario's recidivism rate?

Ms Elliott: My understanding is that they do that through Attorney General statistics and charges, but I can confirm that. We certainly do not provide any recidivism data to the federal government.

Mr Jackson: So you don't have to call Ottawa; you can just call down the hall?

Ms Elliott: I can check back through our policy branch, that gives the stats to the federal government, and find out how they calculate recidivism.

Mr Jackson: Or reverse it. Call the Attorney General's office and ask, "How are you submitting your stats for Ontario?"

Ms Elliott: If that's how they provide it, I could do that too.

Ms Herbert: We should be clear, though, that in our particular area, in phase 1, we are beginning now through our YOSIS system that we referenced on Tuesday, the young offenders services information system, to be able to collect stats that will allow us to track internally our recidivism. We haven't had the capability to do that, so that's why there's been an averaging and a formula-based approach to this. But now we're tracking our kids individually, so we'll be able to do that.

Mr Murphy: You handed out on Tuesday when we were here this thing. It looks like it comes from the Attorney General's department, actually, so you may not be able to tell me, but if you could find out and tell me. For example, under "Persons Charged" in the left-hand column on the front page, total Ontario, it looks like 1990-91 was like 62,000, in 1991-92 it jumps to 71,900 and some, and then in 1992-93 it appears to flat-line at 71,100. What is that saying? There's a note down at the bottom that says, "The earlier figures may be inflated." If I'm looking at this, what can I take from it? Am I to believe that actually there were fewer persons charged, or is there a difference in statistics? I just don't know what this tells me. You may not be able to answer right now. If you can't, that's fine. If you could just find out for me, that would be great.

Mr Jackson: Is the Askov decision part of that? It had an impact in youth court; I know that.

Mr Murphy: But this is persons charged, this category.

Mr Jackson: But if charges are dropped, then you wouldn't be—

Mr Murphy: No, the dropping is a disposition. You'd still record the charges.

Mr Jackson: But if they're already blocked in the courts, they may say they're not going to proceed with charges. I've got a whole series of sexual assault cases involving children where the technicalities of the court are preventing the laying of charges. That doesn't mean a crime didn't occur. It just means they're saying, "We get a poor rate of return and the child won't do well in court, so to hell with it." We still have the medical evidence that a crime was committed.

Ms Herbert: We can certainly ask what statistical variation there may be as a result of implementation of system switches, from manual systems to—

Mr Murphy: There's reference to an Icon thing here.

Ms Herbert: That's their automated recording system. There always is anxiety when you switch from a manual system to an automated system. We can certainly ask, on your behalf, what statistical variations may have been at play with the numbers.

Mr Murphy: I'd like to go to another area altogether, a couple of specifics on the expenditure control plan and how its implementation is progressing. I know the agencies was at 0.75%—

Ms Herbert: Social contract.

Mr Murphy: Social contract, right. The total goal for MCSS in the expenditure control plan was how much?

Ms Herbert: Announced in the spring, it was \$13.7 million across all children's programs; implemented this year, \$3.5 million. We are not sure what the target will be next year of that original \$13.7 million. We're in some discussions with our children's sector agencies to look at what we can manage in an expenditure control plan. I can't give you a firm figure for next year's implementation because we're still in discussions with the provincial associations.

Mr Murphy: One of the ideas was the phasing out of the funding for the Institute for the Prevention of Child Abuse. Has that happened?

Ms Herbert: Yes. The institute has not closed.

Mr Murphy: But the provincial funding has.

Ms Herbert: Yes.

Ms Heather Martin: The institute receives a large portion of funding privately, through a capital campaign.

Mr Murphy: I've seen a lot more of their advertisements recently. I assume they're out trying to get money to replace the provincial money.

Ms Heather Martin: This past spring they did a cross-Canada telethon as well, which generated quite a bit of revenue, and they're planning to start another campaign very soon.

Ms Herbert: As well, they have a purchase-of-service program, so they enter into contracts with different organizations to provide services. That's one of the other areas whereby they receive their funding.

Ms Heather Martin: They have also received money from federal grants for specific projects.

Mr Murphy: I want to ask one question, maybe two, outside the children's services area. One of them relates to the minimum cheque amount. That was changed under the expenditure control plan from \$2.50 to one cent, I think. It was basically for those people who are given the dental plan and the ODB card; they don't qualify for social assistance but because they earn so little they qualify for access to that. But as a control on who gets the card you need to send out some money, apparently, and the minimum cheque amount was reduced from \$2.50 to one cent. All I want to know is how much it costs to mail the cheque for one cent. You can come back to me on that.

Ms Herbert: I can't answer that question.

Mr Paul R. Johnson (Prince Edward-Lennox-South Hastings): It costs 43 cents.

Mr Murphy: And there's administrative time in putting the cheque together, there's the paper; it's all that.

Mr Paul Johnson: Oh, you mean more than mailing it.

Ms Herbert: I'm afraid that's an area I can't answer as part of this—

Mr Murphy: I understand that. If you could just find out and come back to me, that would be great. It strikes me that there has to be a cheaper way to do it.

You may not know this either, but there were changes to STEP as part of the expenditure control plan. I can't remember which option was finally chosen. Do you recall?

Ms Herbert: No. I will come back to you on that as well.

The Vice-Chair: Any other questions by the committee members?

Mr Jackson: I have lots more, but there's a lot of information that's forthcoming and I think the deputants were very forthcoming in their presentation. Hell, if they're going to answer all our order paper questions, I can use that system.

Ms Herbert: Can I read that into the record, that there are no outstanding order paper questions?

Mr Jackson: Well, no, frankly. When you answer an order paper question with, "We'll need some time to collect the statistics," you've answered the order paper question. I still don't have the answer to my question, and you've not promised to fully answer it. You're only obliged under the legislation to report back to me within a prescribed period of time. I really didn't think it was fair to trot out individual examples. I'm sure you didn't want me to anyway. But I did want to thank you. We get all types, and you've been very forthcoming, so I want to thank you.

The Vice-Chair: Any closing comments by ministry representatives?

Ms Herbert: Just that we have one more piece of information now ready to table. Unfortunately, we have only one copy, if I could give it to the clerk. It's the answer to your question around the expenditure control, Dianne, around how it's been prorated against the program areas. We'll table that one. Other than that, on behalf of the staff, I certainly thank you for your interest in our programs. It's an opportunity for us to hear from public representatives as well, so thank you.

The Vice-Chair: Thank you for providing this initial—and I'll say that word advisedly—outline of the expenditure control plan division of burden, which does outline in the various areas what the total reduction would have to be. However, could you provide the committee, obviously not at this time but some time within the coming weeks, with a more detailed explanation within each area of the reductions that have taken place?

Ms Herbert: Just so I'm clear about how it would be

most useful, if we were to provide it by area office, because we actually prorate it against our area offices so we can see geographically what the impact was, is that what would be useful?

The Vice-Chair: I was looking, for instance, under the child and family intervention, for a list of the programming areas where there had been cuts and the amount of those cuts.

Ms Herbert: There are two reasons we couldn't provide that. One is that there are community planning processes under way now to allocate those cuts, so many of those decisions will not have been made yet. At the end of the year, we would see how they were allocated to individual agencies, and it will be variable across the province, depending on the decisions. Some organizations will not have any reductions at all and others may have a larger reduction, depending on how community planning groups have managed their decision-making. It will be some time before we could answer that question.

The Vice-Chair: That certainly is an excellent answer about why you couldn't provide it in the coming weeks. I gather that the final decisions have not been made and the final impact on various agencies has not yet been determined.

Ms Herbert: That's right.

The Vice-Chair: The committee would appreciate receiving that information when it is available. We understand it may take some time.

Ms Herbert: Okay, terrific.

The Vice-Chair: I would very much like to thank the ministry officials for coming before our committee, as well as to thank, in absentia, the deputy minister for her appearance before the committee on Monday and Tuesday. At some stage within the coming weeks the public accounts committee will be going over the various areas and deciding whether there is additional information we need or whether, when we come back into session, it will be necessary to ask certain ministry officials to come back to complete our information. But we do thank you for your presence this week.

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Mr Norman W. Sterling (Carleton): Before we go in camera—and this has nothing to do with the delegation—

The Vice-Chair: We will then release the ministry officials so they can get back to doing their best for the province. Thank you again.

Mr Sterling: Before we go in camera, there was an interesting remark made by the Provincial Auditor yesterday while we were in camera. Historically, I'd like to get a little of this on the record. Your statement, Mr Auditor, was that up until the mid-1980s our government was at the forefront of seeking new ways of changing our method of keeping the books, accounting in government and that kind of thing. From then till now, as I see from the evidence that was presented to us by our researcher, we now are the only province or federal jurisdiction, along with Newfoundland, which hasn't accepted and implemented the PSAAB standards at least in part. Can you give me some background about what was happening

up to that point in time and what seemed to fall apart?

Mr Paul Johnson: By the end of this government's mandate, it'll all be corrected.

Mr Sterling: I'm interested in the historical part of what you said.

Mr Erik Peters: What I was referring to in the past is the initiatives that were taken in the mid-1980s, around 1986, the clean sweep where there was a concentrated effort by the government to clean up areas of concern. That's what I was referring to. One of the examples, very specifically, is that the government recognized the difference between a loan and a grant in those days and followed that practice. It was way ahead of its time compared to the other provinces. This was something the professionals and everybody was wrestling with.

Mr Sterling: When I asked treasury officials about what had happened in between, why does everybody else seem to be ahead of us at this stage of the game, save Newfoundland, their answer was that nobody was talking about it or there didn't seem to be any pressure.

Mr Peters: For me, it's a little difficult to speculate back as to what happened, but what I get from when I arrived is that there were some initiatives taken by treasury along the lines of establishing an office of the controller for Ontario. It seemed to go up and down and up and down and finally culminated in November 1992, when there actually was such an appointment made.

It was the reliance on that function, which exists in virtually all other jurisdictions and doesn't exist in Ontario, that may have been a contributing factor to this, because we didn't have a focal point in the provincial government that would look after these developments. There was a Comptroller General in Canada, there was a Comptroller General in British Columbia and in various other jurisdictions. I'm not sure what Newfoundland's arrangement is, but they may have a similar organizational problem. Really, it's simply that a function that should exist didn't exist.

Mr Sterling: Okay. I was just interested in the historical context, in terms of why, when people have talked about Ontario's economy being the engine of growth for Canada, we should be on the tail end basically of this whole concept of accepting these accounting standards that were set forward in other jurisdictions.

Mr Anthony Perruzza (Downsview): We were trying to get that going, and then we got Metro councillor Mike putting the boots to it.

Mr Jackson: He's in a long lineup of people doing it to you. I know it's tough getting up in the morning, Tony.

Mr Sterling: I suspect too that when the economy is hot and revenue is flowing people are less concerned about accountability than they are when the bucks are a little scarcer in terms of the revenue side. I think it's human nature.

Mr Peters: There is one other aspect, maybe because we're off the record, that I can relate.

Mr Sterling: No, we're not off the record. We're on the record.

Mr Peters: Even on the record, one of the instincts on any cost-cutting measures once they're starting, certainly one of the first places people start looking is how many people are doing the accounting and the administration. The first thing that gets cut, very often, in cutting exercises is administration, and that does have an impact.

Mr Sterling: I see.

Mr Jackson: Just—I'm sorry, Madam Chair.

The Vice-Chair: Mr Jackson, I don't mean to cut you off, but Mr Sterling asked for a clarification, which the auditor has provided. I really did not want to prolong this into a discussion on the financial matters that were raised yesterday, simply because we do have a task, to go in camera and decide on the organization.

Mr Jackson: Just 30 seconds?

The Vice-Chair: Certainly.

Mr Jackson: I merely wanted to suggest that it is within the scope and the responsibility of this committee to recommend, as we have had placed before us the

whole issue around the expansion of the auditor's office to assist this committee to do its function as an extension of the work of the office of the auditor. I certainly for the record have indicated and I know others on this committee from all three parties have expressed interest in not trimming that office but expanding it. The auditor is in an awkward position to comment about that, but essentially the private sector experience is also a government experience and there have been pressures put on his office as well. For the record, I think that's not the area we should be trimming.

The Vice-Chair: Thank you for placing that matter on the record. The committee will now go in camera to discuss the organization of the committee over the coming months and also to decide what matters we would like to proceed with, stemming from the auditor's report. The public accounts committee stands adjourned until some time in late March, April, whenever the House convenes.

The committee adjourned at 1127.

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Vice-Chair / Vice-Présidente: Poole, Dianne (Eglinton L)
Bisson, Gilles (Cochrane South/-Sud ND)
***Callahan, Robert V.** (Brampton South/-Sud L)
***Duignan, Noel** (Halton North/-Nord ND)
Frankford, Robert (Scarborough East/-Est ND)
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O'Connor, Larry (Durham-York ND)
Owens, Stephen (Scarborough Centre ND)
***Perruzza, Anthony** (Downsview ND)
Tilson, David (Dufferin-Peel PC)

**In attendance / présents*

Substitutions present/ Membres remplaçants présents:

Haeck, Christel (St Catharines-Brock ND) for Mr Bisson
Hayes, Pat (Essex-Kent ND) for Mr O'Connor
Jackson, Cameron (Burlington South/-Sud PC) for Mrs Marland
Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)
for Mr Owens
Sterling, Norman W. (Carleton PC) for Mr Tilson

Also taking part / Autres participants et participantes:

Ministry of Community and Social Services:

Sue Herbert, assistant deputy minister, program management
Peter Gooch, project manager, children's policy framework, children's policy branch
Dale Elliott, program analyst, young offenders program
Heather Martin, coordinator, children's services, program management division
Peters, Erik, Provincial Auditor

Clerk / Greffier: Decker, Todd

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service



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**Legislative Assembly
of Ontario**

Third Session, 35th Parliament

**Assemblée législative
de l'Ontario**

Troisième session, 35^e législature

**Official Report
of Debates
(Hansard)**

Thursday 7 April 1994

**Journal
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**Standing committee on
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 7 April 1994

Jeudi 7 avril 1994

The committee met at 1007 in committee room 2.
SCHOOL BOARD VALUE-FOR-MONEY AUDITS

The Chair (Mr Joseph Cordiano): Good morning, members of the standing committee on public accounts. On today's agenda we have a notice by Mr Callahan, and we will deal with Mr Callahan's motion as the first item on the agenda. Following that, we will have appearing before us Deputy Minister Dan Burns, and that will commence at approximately 10:30, when he is to arrive.

Notice was given to the committee of Mr Callahan's motion last week, so we will deal with that motion at this time.

Mr Robert V. Callahan (Brampton South): I move that the committee recommend that the Minister of Education and Training implement the necessary steps to require that school boards conduct value-for-money audits relating to the expenditure of funds transferred from the province.

In particular, the committee recommends that the minister prescribe regulations pursuant to section 234 of the Education Act requiring board auditors to conduct audits of a value-for-money nature and to report to the minister on the results of such audits; or, that the minister consider making grants to school boards conditional on boards agreeing to permit the Provincial Auditor to conduct such audits as the standing committee on public accounts directs.

It's fairly straightforward and it seems to me—I may be wrong—that it reflects, at least in one particular area, education, what the auditor was looking for: something in advance of the Audit Act itself being amended to provide for an overall scheme of auditing in that way, value-for-money audits.

I suppose the second part of it is to have the minister do what the minister indicated they would do: provide criteria on which basis you could actually determine whether it's a value-for-money audit. As one of my constituency assistants indicated to me, only about 17% of school board budgets come from the province, so it's not a significant amount, but it's an effort to try to get the ministry, if it hasn't already started or if it hasn't completed what it promised it would do, to carry that out.

Also, perhaps it's an effort to have the particular ministry that's involved with the amendments to the Audit Act moving on with these things and getting them established so that we do have the ability, through public accounts, to use the auditor's good services to determine whether we are getting value for the very scarce tax-payers' dollars we have today.

I don't think there's anything more I really want to say on it.

Mr Rosario Marchese (Fort York): I have a question to clarify what isn't quite clear to me. The way it's worded, it appears as if the board could refuse to go through this audit. That's why you've worded it in such a way as to say, "The minister consider making grants to boards conditional on boards agreeing to permit." This leads me to understand that if they disagree with the audit, they wouldn't be doing it, and therefore you've added the second part to it. Is that what it is?

Mr Callahan: That's right, it's an either/or. Maybe Mr Peters can—

Mr Erik Peters: There are two issues. First, at the present time, school boards are generally only subject to so-called financial stewardship audits. In other words, they get an opinion from an outside auditor of whether their financial statements present fairly their particular situation. They may in fact object to a value-for-money audit.

If I can expand my answer in that particular area, there are two things. The source of the audit—in other words, the resources required to conduct these audits and who funds those audits—becomes a secondary question. You may want to consider some very minor amendments to the motion in terms of just broadening the judgement that can be exercised by the minister in determining what funds should be expended on these kinds of audits.

Specifically, I would go with that point to the second paragraph, where it says "requiring board auditors to conduct audits," to potentially leave it broader, "requiring the conduct of audits of a value-for-money nature," so that there's an openness given to the minister as to whom he wants to conduct those audits. If they were to be conducted by the auditors of the boards right now, there would be a fee problem, because those audits would be very expensive. If the committee directed that it be those auditors, there would be immediate resistance, because it requires additional funds. Taking it out gives the minister the option to either use internal audit or other audit resources, ministry staff or whatever.

Mr Callahan: What part are you suggesting come out? I just want to find out. I'm prepared to agree to that amendment if it's—

Mr Peters: In the second paragraph of the motion, at the end of the second line and beginning of the third line, take out "board auditors to" and replace it with the word "the." It would read, "requiring the conduct of audits of a value-for-money nature."

Ms Dianne Poole (Eglinton): Would it not be "conducting"?

Mr Peters: Or "the conducting."

Ms Poole: Yes, "the conducting of audits."

Mr Peters: That's fine, "conducting of audits." That would leave it at the minister's or ministry's judgement as to which auditor would do it, rather than forcing them into accepting an independent audit.

The other part, if I may expand on the first paragraph—

The Chair: Before you do that, Anne wants to point out something with regard to section 234 not being applicable after we do this.

Ms Anne Anderson: Section 234 in the Education Act applies to the board's auditors, and if you take out those words in the motion, I'm not sure whether it's then applicable to refer to section 234, if you're trying to broaden the powers to the minister, or whether it should be done in a different way within the motion.

Mr Peters: We may have to face that resource question, so I'll leave that to debate.

The Chair: Do you want to deal with the first paragraph?

Mr Peters: In the first part, where we talk about "audits relating to the expenditure of funds transferred from the province," there is a difficulty this office has run into in this situation. This requires direct identification of the use of the funds transferred by the province and the board, and if the board then organizes itself in setting up separate funds, all of a sudden those funds are outside the purview of this kind of audit.

From the point of view of accountability—and we're dealing with overall accountability, and I know this will cause some discomfort in your minds because of points that were made at the last meeting—it would be broader to relate value-for-money audits to the expenditures of all their funds in the school board setting so there would be no limitation.

If I really had my druthers, to be blunt with you, I would like to expand that to all school boards, regardless of where the funding is from, but this committee is limited to those whose funds are transferred from the province. For those which receive funds from the province, this Legislature may want to consider installing value-for-money audits on all the funds spent by boards that receive any funds from the province.

The Chair: That would almost by definition include every board, because there are capital expenditures made that are moneys that have been directed to those boards by the province. I think every board relies on capital funds from the province.

Mr Callahan: Not any more.

The Chair: Well, to a point they still do.

Mr Peters: Well, some do, or some don't. The case I'm referring to in particular is the Ottawa board. When I arrived here, my office was deluged by phone calls from the press as well as the public. After having gone through labour negotiations of incredible proportions, disrupting the school year and everything else, those were

barely over when they went into an \$18-million expansion of the administrative building for the school board itself. Everybody was in an uproar. We looked into it, and there was no way: The entire \$18 million was to be funded strictly on the local taxpayers basis; there was no provincial money.

The Chair: I have Ms Poole and then Mr Marchese and Mr Tilson, and we have 10 minutes left to deal with this.

1020

Ms Poole: I'll be very brief. I had planned to raise the issue the auditor just referred to, so I just want clarification. The first section of paragraph 2, when it refers to section 234 of the Education Act, could that apply to boards such as Ottawa and Metropolitan Toronto, which are in a negative grant situation? I understand that the second part of that, where it refers to the standing committee on public accounts, could only apply to those boards where there is public funding from the province of Ontario.

But for the first part of that paragraph, referring to section 234, could the minister require "the conducting of audits of a value-for-money nature" in Metro Toronto, in Ottawa, notwithstanding the fact that they don't receive moneys from the province?

Mr Peters: I don't have the answer to that question. Paul would have to inquire, because I don't know.

Mr Marchese: My sense is that the answer to that question would be yes. Whether or not the boards are in a negative grant situation should not or cannot preclude the province from doing this if that's what it wants to do, given that we have jurisdictional powers over boards.

Ms Poole: That's how I would read it too, because in the rest of the Education Act, notwithstanding the fact that the provincial government does not fund those two boards, they still have to fulfil the requirements of the Education Act.

Mr Marchese: Absolutely, of course.

Ms Poole: That's my reading, that this would give the minister the authority if he prescribed those regulations, but I just wondered if that was accurate.

Mr Marchese: I agree with that. I want to ask you some quick questions. Oh, Mr Tilson, you were on the list.

Mr David Tilson (Dufferin-Peel): All these were areas I wanted to speak on. It seems to me that there need to be two amendments to the resolution. In the first paragraph, there would have to be an amendment that we're requesting the ministry to conduct value-for-money audits for all boards, and it's not up to us to try to figure out how; we're just requesting that they do it. One way is holding back funds, but these boards are creations under the Education Act, and that's that. It may well be some amendments to some legislation or regulations, I don't know.

But I think that first paragraph needs to be amended, perhaps deleting the words "relating to the expenditure of funds transferred from the province." The intent of the motion, as I understand it, is that we're recommending that the ministry request value-for-money audits across

this province for all boards, as simple as that. I would think that those words would have to be deleted.

Also, I would like to hear more on addressing the legal issue of section 234. It seems to me we don't know what authority the minister has—I don't know whether we're talking about requests or demands—to do those things.

The Chair: Anne pointed out that in subsection 234(3), the minister does in fact—would you like her to read that subsection?

Ms Anderson: In the Education Act, subsection 234(3) reads: "An auditor of a board shall perform such duties as are prescribed by the minister and by the Minister of Intergovernmental Affairs and also such duties as may be required by the board that do not conflict with the duties prescribed by the minister and by the Minister of Intergovernmental Affairs."

Mr Tilson: I am wondering if Mr Callahan would agree to stand this matter down to perhaps redraft the resolution, reword it. I am in favour of supporting the intent; it's just that I think we need to tidy it up.

Mr Callahan: The auditor's concern and the reason he wanted to change this was because the cost of the audit is borne by the school boards. It seems to me that if we're not getting value for money in our school boards, the ministry, in the long run—preparatory to there being amendments to the Audit Act, which have been in the mill for a long time now, under two administrations—would probably save as much money in terms of paying for those auditors to do what we're asking to be done. I'm quite prepared to reword it in some way, as the auditor has suggested, but I am wondering if the auditor would agree that we leave it as is.

It also avoids the prickly problem that the boards are going to say to us, "Butt out, because you only give us 17% of the money and the rest of it's raised from the ratepayers of the area." I think the ministry should be telling them, "The moneys you spend are going to be valuable, and if they're not, it's going to be brought to the attention of the public." I don't know whether the auditor has any comment on that, but I am quite prepared to reword it if necessary.

The Chair: It's probably more appropriate if we do that, as time is running out: take back the motion and reword it and perhaps seek some additional advice from Paul Murray, our legal counsel, who has done the work on this, and then come back with some other motion.

I have Ms Poole on the list first and then Mr Marchese.

Ms Poole: Mr Marchese was just responding to my comment, and he actually didn't get a chance to speak.

Mr Marchese: I abandoned the floor, so to speak.

The Chair: You gave up the floor to Mr Tilson and then we moved on. I apologize. Go ahead.

Mr Marchese: I agree with referring it back. Yes, they would say as boards that this would be yet another downloading at a time when they have had difficult times, that to require the auditors to do this is a great deal of expenditure for them, a great deal of time and money. It's a big concern that we should be reflecting

into the mix. However you word it, I think we should come back to discuss it, because I have additional concerns I wanted to raise, but I think sending it off this way would create a problem. Can we bring it back and have a few more minutes to discuss this?

The Chair: I think that would be fine.

Mr Callahan: Do you want to leave it as it is, Mr Chair, and let the committee discuss it as it is? Maybe we can get input as to what the committee could support in terms of a motion. I don't want to waste the time of the staff and so on in trying to come up with a motion and coming back here and again finding that it's not supportable.

The Chair: Might I suggest that we have Paul Murray here at the next meeting and we deal with it at that point? We could work on it at that next meeting.

Mr Callahan: I'll move that it be tabled to the next meeting of the public accounts or the next meeting that Paul's going to be here.

The Chair: Great. Thank you very much.

I saw Mr Burns in the hallway, and we will await his arrival with great anticipation, I am sure. Ms Poole, would you like to take the chair, please?

1030

NON-PROFIT HOUSING

The Vice-Chair (Ms Dianne Poole): I'd like to call members of the committee to order, as the deputy minister has arrived.

As members of the committee are aware, a matter was brought to the attention of the public accounts committee relating to a report or publication by the Ontario Non-Profit Housing Association that had a covering letter from the Minister of Housing that, in the opinion of a number of members of the committee, cast aspersions on the material provided by the auditor in the auditor's report on non-profit housing.

Before we go to the deputy minister, I'm going to ask the auditor to make a few opening comments and to briefly describe the current situation.

Mr Callahan: Madam Chair, before you do that, just to take the heat off the auditor, I want to say that I picked this up and sent it to the auditor, because it didn't seem to me that what they were saying was correct, that there are a number of things that were incorrect. To take the heat off the auditor, it wasn't him going on a witchhunt; I saw it. And it wasn't a witchhunt either.

Mr Larry O'Connor (Durham-York): Peel Non-Profit Housing Corp had started it too. Wasn't Peel Non-Profit part of that group?

Mr Callahan: Look, inaccuracies printed by whatever body are inaccuracies.

The Vice-Chair: Thank you, Mr Callahan. We'll be sure to give you credit or blame, whichever is due.

Mr Callahan: I don't want credit; I just want to take the heat off the auditor.

The Vice-Chair: I understand Peel Non-Profit also contacted the auditor, so he learned of this matter from several different sources.

Mr Peters: I just wanted to refer to the package, under date of March 2, that I sent to the Chair of the committee, and I'm going to refer to items in that package.

The first item I would like to refer to is the very last page of that document, which is the letter by the minister. To the best of our knowledge, about 2,000 copies of this letter have been distributed, including various media outlets. I just want to quote directly, read into the record the beginning of that document.

"Dear Sir/Madam:

"In recent months, non-profit and co-op housing has been the subject of public debate.

"Some critics have attempted to discredit Ontario's highly successful non-profit housing program, calling instead for a massively expanded—and expensive—shelter allowance program.

"Unfortunately during this...debate, a lot of the facts about non-profit housing have been distorted and the many benefits have been ignored.

"In an effort to set the record straight, this information package was prepared. It includes," among other publications, "a pamphlet prepared by the Ontario Non-Profit Housing Association entitled Ontario Needs Non-Profit Housing."

Our concern with that document, which is also part of your package, relates to—the number's at the top of this document; it begins on 2c-7. There is in the middle a line that says, "Is non-profit housing efficient?" In there, in heavy ink, is a paragraph that says: "The findings of the auditor's report have since been challenged by the public accounts committee—a committee comprised of Conservative, NDP and Liberal MPPs. The auditor has admitted that his methodology was flawed, and the Ministry of Housing is now collecting data to allow the auditor to review his findings."

It carries on, on the next page, with four misleading statements from the auditor's report. From this, without wanting to go into the detail or spend much time with the detail, I just want to highlight a little bit of our response that we sent to Ms Robin Campbell, the executive director of the Ontario Non-Profit Housing Association, who are the authors of this document.

The first one we brought to her attention—and later on you'll get a copy of her response, and she appreciated that response—was that the auditor's report did not contain criticisms of non-profit housing as such, per se. Rather, then, they were concerns with the cost-effectiveness of the administration of the non-profit housing program by the Ministry of Housing. The former is a policy issue, whereas our report addresses the administration of the program. So this is one of the arguments that we wanted to set straight.

The second was our concern that where an organization such as this—and this is not responded to by the Ontario Non-Profit Housing Association—is using information from our report, we would greatly appreciate, and many organizations do this, that they contact us and say, "Are we getting the right context and are we reproducing this correctly?" Many organizations send us drafts

before they do send these things out, the same as we send drafts to them before we make our report.

The third item was that it was the Ministry of Housing that actually challenged our methodology; it was not this committee.

Then we go in the letter into the individual facts, and there I just want to leave a brief comment with you. The comment is that our principal concern is that if you take individual sentences out of a long report—like, you grab one from page 130 and the next one from page 132 and put them together into a package—you end up citing the report totally out of context, and that is in effect what happened here. That was the number one problem with the facts that they were relating and that they attributed to us and this is what we truly resented: that our report was labelled as being misleading and discrediting the credibility of our office in this way by taking our statements out of context.

The second part of concern is that very often the quotes were not exact. In other words, we had very carefully attributed the ministry or the source of the information we were relating, and by attributing it directly to us and by omitting our citing another source, it gives a totally different flavour. It actually represents, therefore, a misstatement of what we have said indeed. Those two are the major concerns that we had with the facts that were presented in this particular document.

You will see that there is also distributed this morning—and I apologize for the lateness of the distribution; I'd actually hoped to do it in the formal subcommittee, but it arrived just after we met in the subcommittee—a letter responding from the Ontario Non-Profit Housing Association. It is in a way a fairly mild response inasmuch as they're saying, "We regret your feelings that we misrepresented your report."

The point I would like to make on that response is that we have carefully gone over the documents that were produced by the other side in what turns out to be a propaganda war between various organizations, and all the documentation we have thus far is that it was only this organization, ONPHA, that cited us out of context. The others cited us verbatim and in the proper order. So I'd agree that it was probably in the context of a propaganda war, but it was only this organization that chose to put our comments together in this manner.

Those are my comments.

1040

The Vice-Chair: Thank you, Auditor. Just before we go into questions, we will ask for an opening statement from the deputy minister, if he wishes to give one.

I would emphasize that members of the committee are well aware that the ministry is not responsible for publications of the Ontario Non-Profit Housing Association. Our concern is focused on the fact that the minister attached a letter to this publication which made it appear that the minister gave credence to the association's attack on the auditor and the auditor's findings. I would just like to emphasize again that the focus is the minister's letter, not whatever the Ontario Non-Profit Housing Association may have published.

Mr Burns, if you'd like to make some opening comments, we'd be happy to hear them. We would also like to express our appreciation for you coming on such short notice.

Mr Daniel Burns: I'm sorry I couldn't come last week, but I'm not entirely the master of my own schedules. You undoubtedly know that we're all caught in a machine of meetings.

I don't think I need to make any long opening statement. I think I'd just reflect back briefly what you, Madam Chair, have just said, which is that the Ontario Non-Profit Housing Association is an independent organization that prepares its own material and, as the auditor has just said, they've had an exchange of correspondence about this particular publication.

On the second subject that you raised, the question of the minister's covering letter to the package of materials that was sent out: I'm not sure quite how we're going to handle this in the discussion, but you'll appreciate that a minister's letter is a minister's letter and if the members of the committee need to have a dialogue with her about that, then they'll have to find a venue where that's appropriate.

Of course, I'm here to explain and discuss and answer any question you wish about the administration of the ministry and the administration of the non-profit housing program, and I guess we'll see in the dialogue what happens in relation to that question, but I thought we should just be a little bit clear about that as we started.

The Vice-Chair: Thank you, Mr Burns. I'm going to suggest 15-minute rotations by caucus, starting with the official opposition. We have Mr Cordiano and Mr Callahan.

Mr Joseph Cordiano (Lawrence): Thank you, Mr Burns, for being here this morning. I think we'll shed some light on this matter. As I see it, it is rather a difficult one for the ministry and for this committee because, quite frankly, I think it puts this committee in an awkward position, it puts the auditor in a very difficult position, and one that I think is not a tenable one, either for the auditor or for this committee. I believe this committee is mandated to deal with matters that come before it of an administrative nature with due regard for achieving value for money and efficiency cost savings—administrative matters.

Certainly, the auditor never deals with policy matters and this committee has always attempted to stay away from those kinds of discussions because this is not the place for those debates; the Legislature or other committees are, perhaps.

When we receive this kind of document that deals with what amounts to a defence of a position taken by the minister of the day or the government of the day and uses this committee in a way that I think is most inappropriate and uses the auditor in a way that discredits the objectivity that is always uppermost in any auditor's mind and the public accounts committee, and drags those two bodies into a propaganda war, I think it is completely unacceptable.

Having said that, I would ask this, first of all: The

Ontario Non-Profit Housing Association is mandated by the Ministry of Housing, or at least it's funded by the Ministry of Housing, is it not?

Mr Burns: Perhaps it might be worth spending a couple of minutes on that particular question. The Ontario Non-Profit Housing Association is an organization with a membership. It's made up of somewhere between 500 and 600 community housing organizations, either private non-profits or municipalities.

It operates with a fairly broad mandate given to it by that membership. It runs a conference, training programs; it advocates on behalf of that particular community of interest with the ministry on administrative issues and on policy issues. In that sense, I guess it has a fairly typical mandate and profile for an organization of non-profit institutions of the sort that we see in a number of areas of provincial life.

It does receive some funding from the ministry, both a general grant in support of the sector organization and some contract funding to participate in particular activities that we think are important or to deliver training programs. They also receive, of course, considerable funding from their own membership base and their education and conference activities. So that's a fairly typical profile, I think, for an association of non-profit organizations in the province.

Mr Cordiano: Okay, I can appreciate that. None the less, the views of the non-profit housing association, having been expressed through this document which they sent out to their members, were in effect supported when the minister attached her letter with her letterhead to that document as it was sent out.

It therefore gives credence to the views expressed by the non-profit association in supporting the comments made by the document, to the effect that the auditor misrepresented the facts and that the committee, by and large, was taking a very partisan approach dealing with the matter that came before it, and that—well, the various matters that were raised in the document we can go over a little further.

But, quite frankly, I think that there's a clear case here that the minister or the ministry needs to address with respect to those comments. It's unacceptable to me that the minister, with her name attached to a letter, endorses the views that were put forward, not on the policy matters but with respect to statements made by the association, that the auditor's report was misleading, intentionally or otherwise. The tone of the document suggests that the committee was fighting a propaganda war with the proponents of non-profit housing.

Let me just cite one passage on page 2c-7: "The findings of the auditor's report have since been challenged by the public accounts committee." It suggests that we're in contradiction with the auditor, which is also an error. "The Provincial Auditor's 1992 report also reported troubling findings, making adverse comparisons between the non-profit sector and the private sector."

It goes on, as the auditor pointed out, on the next page with "Four misleading statements from the Auditor's Report." Then, in the letter that I just received this

morning, March 7, on the second page of that document in the middle of the page it goes on to say: "It was good to learn that your office," referring to Mr Peters's, the auditor's, office, "was not criticizing non-profit housing per se. However, you must be aware that the opponents of non-profit housing were not very careful in their use of your report." It goes on to say that the language—

Mr Callahan: Does Mr Burns have a copy of that letter? It might be helpful to put one before him. Do you have a copy of it?

Mr Burns: Yes, I do. Thank you, Mr Callahan.

1050

Mr Cordiano: —chastising the press, the press has used the report in an ineffective way. Obviously, they're mounting a propaganda campaign and they're saying, "Given the sharp nature of the debate at the time, and the fact that, to the best of our knowledge, your office"—referring to the auditor again—"had not publicly and forcefully dissociated itself from the attacks on the program per se, we believed we had to mount an effective defence of non-profit housing."

It's immaterial what they had to do, but to suggest that the auditor now should have been engaged in the debate, in mounting a defence of the program, that he is either an enemy or a friend, is ridiculous. This letter is totally absurd when you're writing to an auditor who has no interest whatsoever in engaging in a matter that is a policy item or one that speaks to the partisan nature of this debate. After all, we are in politics and of course these kinds of debates will ensue, but to drag the auditor in—this is where we draw the line, as far as I'm concerned. To drag the auditor in, or the committee, in its report, not individual members—we are, after all, politicians and outside of this place we can say what we like; when we're on this committee we attempt to deal with administrative matters. But to drag the committee as a whole with its report, and the auditor with his findings, and to suggest that they're not supportive of one side of this policy debate, or this partisan debate—propaganda warfare, as it has been described—is to threaten the integrity of the office of the auditor, making him partisan, and making this committee less effective in dealing with simply administrative matters that it has always dealt with. That's the concern here.

When the minister's letter was attached to this document it gave a clear impression that the minister is endorsing the criticisms of the non-profit housing association, the criticisms levelled against the auditor and levelled against the committee. That simply cannot go without being addressed. If the minister wants to leave it at that, that is unacceptable to this committee, and perhaps it wouldn't be a bad idea to have the minister come before the committee if that's what Mr Burns feels is necessary, to get the minister's views.

The Vice-Chair: Before we go on to Mr Callahan, would you like to respond, Mr Burns?

Mr Burns: I'm not sure there was a question specifically that I could be clear on.

Mr Cordiano: It was interrogative, but—

Mr Burns: Perhaps in the way—

The Vice-Chair: Would you like to comment?

Mr Burns: —of commentary. Thank you, Madam Chair, it's my word precisely. It's certainly my view and the view of the ministry that your characterization of the Office of the Provincial Auditor is a right one. It is an independent office and it's charged with a particular task. It's not our view that anything the auditor has done is part of the policy debate environment that you are describing, and nothing in what we do in our activities should reflect any other perspective.

Mr Cordiano: If I may just follow up on that, the point has to be made that the Minister of Housing did not respect the integrity of the office of the auditor or of this committee by attaching that letter to that document.

I would ask that the minister make it very clear that in no way did she have any intention of chastising or questioning the integrity of the office of the auditor or the integrity of this committee, and I think to do any less, since this document has gone out to 2,000 members of the organization, would be to do a disservice to the office of the auditor. To that extent, I believe it is incumbent upon the ministry to deal with the matter. That's how we intersect on this. So I think to leave it alone, with due respect to the deputy minister, is a question that still has to be resolved, perhaps at the political level.

Mr Callahan: I wasn't aware of the fact that there wasn't a closer connection between the Ministry of Housing and this body, but I notice that the letter of the auditor was sent to the minister as well. Do we have a reply from the minister at all? We don't have a reply. Is it intended that there will be a reply, Mr Burns? I don't want to put you on the spot.

Mr Burns: I don't know the answer to that. I was copied on the material and I did write to the auditor saying that I agreed that the minister's letter was silent on the question of whether it was specifically endorsing any of the material in that distribution package that wasn't ministry material and that in retrospect it would have been a clearer letter had that been addressed. I can't answer for the minister herself in this forum.

Mr Callahan: That's fine. Maybe we do need the minister here, because my own non-profit association, Peel Non-Profit, which is a very successful one in Peel, responded to the Provincial Auditor, and they said, "I should also point out that we just received a package of information from the Minister of Housing, Evelyn Gigantes, which includes the ONPHA pamphlet. The fact that the minister is utilizing the ONPHA material certainly leads me to believe that it's a credible publication." Now what in fact the minister did, and this is why I think we need the minister here—I think she owes an apology to the Provincial Auditor.

I think we require that the ministry provide the funding to rectify this issue. Just the very fact that she has misled a very credible non-profit organization in my community, leading me to have to write to them and having them say, "We relied on the minister"—I mean, the minister doesn't have the luxury of being able to pick up a couple of articles without reading them and just throw them into an envelope and send them out to support a cause that she believes in.

I think to do that is irresponsible, and a minister doing something like that should certainly at least apologize to the auditor and to the committee, or in the alternative, should perhaps even consider that if it happened again, she should resign. Because a minister doesn't have that prerogative of being able to act in that willy-nilly fashion where, because she has a particular ideology and she supports a particular cause, she's going to jump in with the propaganda movement and just throw things in there that are totally and factually inaccurate.

In fact, I suggest that is an affront to this committee. We at least deserve an apology. If she did it unintentionally, fine, I can accept that, but she was copied in the letter from the auditor. We've had no response from her whatsoever. I would think we would have at least gotten a letter from her saying, "Sorry," or a letter to the press saying, "Sorry, we goofed." But instead, what does she do? She doesn't reply.

I'm going to be asking that this committee require one of two things: either the minister comes before us, which is probably a waste of time and money because she's got other things to do, but at the very least an apology to the auditor and to this committee, with it being publicly disseminated in the press so that these groups that may still be relying on these factual inaccuracies—and there probably are. I think Mr Cordiano said 2,000 groups got this information. Somehow we have to get this back out to them.

Finally, Mr Burns, I'd ask you, do you know what the cost of—you must know, I guess, even though it's an arm's-length group. You must know what the cost of putting that publication out was.

Mr Burns: I don't know what internal resources ONPHA may have devoted to this or what their costs are.

Mr Callahan: Can you find that out for us? I'd like to know what—

Mr O'Connor: Let's find out how much the Fair Rental Policy Organization pays.

Mr Callahan: Look, I would say this if it were whatever political stripe in the driver's seat. I think the public accounts committee has an obligation to ensure that taxpayers' dollars are spent wisely. When information is being disseminated that criticizes an independent officer of the Legislature—the auditor—criticizes the public accounts, and the minister doesn't have the good grace to at least send a letter of apology and try to change that misinformation around, then I think there's something wrong.

1100

We are here to call ministers and the government to be accountable for taxpayers' dollars. It's not a question of policy; it's a question that this minister, through either negligence or deliberately—I would prefer to think it was negligence—

Mr Gary Wilson (Kingston and The Islands): It sounds over here like you're making speeches, too.

Mr Callahan: This is for the benefit of you and all members of the committee. I've often said in public accounts, we should be able to discuss this, but I think for future practice, that if a minister is negligent—and I

hope it's that and not deliberate—that we at least deserve, and the auditor more importantly deserves, a letter to the effect, and also the people out there who have been misinformed have a right to know through a public dissemination, that the information garnered by taxpayers' dollars—and we don't know the amount; it must have been big bucks, though—should know that there were inaccuracies in there—not just one. The auditor refers to several of them which are very critical errors.

I'm going to suggest, Madam Chair—I'm going to move a motion, in fact—that we require from the minister at least an apology recognizing that she must—I'm sure, Mr Burns, you appreciate that these were inaccuracies, do you not, the ones that are referred to by the auditor?

Mr Burns: Sorry, are you asking me whether—

Mr Callahan: The letter that he sent to you, do you concur that the things he said in there were in fact inaccurately recorded in the document that was disseminated as Ontario Needs Non-Profit Housing, by the Ontario Non-Profit Housing Association? Do you accept that those are correct, that they did in fact misrepresent?

Mr Burns: I agree that the ONPHA's summary of events is not completely accurate and doesn't reflect either the auditor's report or the committee's report in a completely accurate way.

Mr Callahan: I'm asking you, Mr Burns, do you agree that the letter from Mr Peters is accurate in every detail?

Mr Burns: That's a very specific question. I'd have to go back and read every sentence to see whether it absolutely accorded with our view of everything that happened. Let me make a general answer, which is that I am personally and we are generally in agreement with the reservations that the auditor expressed about ONPHA's report to ONPHA.

Mr Callahan: You've had this letter since March 1 and surely to God you've looked at it—

The Vice-Chair: I'm sorry, I've tried to give some leeway because you were in the middle of questioning, but we're now a couple of minutes over.

Mr Callahan: All right, I'll come back to it when we go another round. I don't know whether we're going to or not.

Mr Tilson: I'll continue on with it. You have the letter; you've read the letter; you've had it for some time. It was read back to you today, just now, by the auditor. Either you agree with the letter or you don't agree with the letter.

Mr Burns: I just said that I agree with the general points that he's raised.

Mr Tilson: So you agree with the letter.

Mr Burns: Yes, I agree with the letter, but Mr Callahan asked a very specific one, which is whether I agreed with every single word and sentence. That's a very specific question.

Mr Tilson: I'll ask you, what do you disagree with about the letter?

Mr Burns: I don't disagree with the points the letter has made.

Mr Tilson: Did you know this letter was going out?

Mr Burns: Sorry?

Mr Tilson: Did you know this letter was going out?

Mr Burns: Which letter are you referring to?

Mr Tilson: I'm sorry. Did you know that Ms Gigantes's letter of January 28 was going out to the various non-profit housing groups?

Mr Burns: We were obviously aware that the minister wished to send out an information kit, because she obviously asked us to collect some of the material for it, yes.

Mr Tilson: So you knew that, and did you point out to her that what she was doing really didn't properly represent what this committee has said or what the Provincial Auditor has said?

Mr Burns: First, I think I should just go back to the beginning. This is the minister's letter. I think questions about that letter should be put to her.

Mr Tilson: I appreciate that and I always admire you, Mr Burns, for coming into the lion's den and answering questions which are very difficult. I suppose we as members are trying to ask you non-political questions. I'm simply asking you a fact. You're the deputy minister. You know what's going on in the ministry and if you don't, you should. This is a major distribution of information to non-profit housing groups. I assume that the minister or her staff asked you for your input with respect to this letter and this publication going out?

Mr Burns: I think, Mr Tilson, not wanting to be uncooperative in the discussion, that the questions about the minister's letter should be put to the minister.

Mr Tilson: I'm simply asking you because the difficulty—you may be right, Mr Burns; you didn't write the letter, she wrote the letter—is that this is now the policy of the province of Ontario. This is a letter written on the letterhead of the Ministry of Housing, signed by the Minister of Housing.

When the Minister of Housing says to the non-profit housing groups around this province, "I believe that if you read this material, you'll come to the same conclusion as I have that non-profit housing is an essential part of a well-balanced housing strategy for Ontario," the difficulty is that the innuendoes that have been left by this letter of Ms Gigantes are that the Ministry of Housing, of which you're the deputy minister, fully supports the statements that have been made in this letter, and this is after we, as a committee, have spent considerable time with you trying to clarify the processes, the spending, the workings of the system of non-profit housing.

Other members of the committee may not agree with me, but I, as a member of this committee, consider this a slap in the face. We'll let the Provincial Auditor speak for himself—certainly he wouldn't have gone to the trouble of writing this letter—but certainly he and his staff consider this a slap in the face, particularly after you have sat in the chair that you are in right now and answered questions that we put to you.

I know you want to say, "I didn't have anything to do with it," but you did have something to do with it

because you sat before this committee, agreed to cooperate with us, to clarify positions. In fact, as I understand it, there's still more information to come back from your office, and while you're in the works of getting that information, this comes from the minister.

You're right when you say the minister should deal with this letter, but I believe that to show the integrity of your office and to show the integrity of the committee and the Provincial Auditor's office—I want to know where you sit on this thing, if there have been facts that have gone out to the non-profit housing which you are now saying are incorrect.

We're never going to get an apology from the Minister of Housing. Mr O'Connor on his side has already implied that. There's no way she's going to apologize. Mr Callahan can ask all he likes. What is important, however, is that these groups know what the facts are. You have now admitted that the facts as represented by this group are not correct. As the deputy minister, what do you intend to recommend to the minister that she do to rectify this wrong?

Mr Burns: You've touched on a number of subjects and some of them, as I've indicated, I think need to be put to the minister.

On the question of the ministry's administrative work and our continuing commitment to the undertakings that we gave in this place, I just want to repeat what I've said before, which is that we agree there are significant administrative improvements that need to be made in our program. We are working on those. We went, at your request, to the level of providing you with internal ministry work plans, and as I indicated I think last week in a letter to your Chair, we are reviewing those at fiscal year-end and anticipate that you'll want to have a chance to talk about those things with us again.

I just want to emphasize that the ministry has in no way diverted from those objectives or from any of the important and helpful discussion that we had in this place or the recommendations of the committee itself.

I think the other questions you touched on, though, are ones which need to be put to the minister.

Mr Tilson: I'm sure they will be by the critics in the two opposition parties in some form or other, if not by others.

My concern is that there's a whole raft of information that the minister—I'm not going to say the minister—the Ministry of Housing, of which you're the deputy minister, has now said are facts, that these are accurate facts, this document, Ontario Needs Non-Profit Housing, as put out by the Ontario Non-Profit Housing Association, which is funded by the provincial government, the taxpayers of this province.

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The fact is that under the Ministry of Housing's letterhead these facts have gone out as the gospel truth. You have now told this committee that the facts in that document are not correct. That's not true, you didn't say that, but some of the facts in that document are not correct. In other words, you've agreed with Mr Peters's letter.

As the deputy minister, how are you going to recommend to the minister that this be rectified?

Mr Burns: We're talking about a publication of an independent organization.

Mr Tilson: They're not quite independent. They're funded by the province of Ontario.

Mr Burns: My general experience of organizations in the province, particularly ones based on a membership, is that they take their autonomy and independence pretty seriously and this particular organization is no different in that respect. They're not a creature of the ministry. I don't approve their work plans.

Mr Tilson: Mr Burns, you're quite right. It would be inappropriate for you to tell this group what to write. The wrong that has been made is that the Minister of Housing, on Ministry of Housing letterhead, has supported this report with her letterhead. If it had just gone out, that's one thing. I suppose you're right, they can say whatever they like, and it's up to opposition groups to play the political game and say whether they're right or wrong.

The difficulty is that this committee is trying to deal with what we feel is a problem with the process of non-profit housing and we have questioned you several times quite rigorously. You've attempted to give answers; you owe us a whole pile more answers. In the middle of that process, we get the Minister of Housing coming out and saying essentially that the Provincial Auditor's full of baloney. Mr Callahan and Mr Cordiano have said—I don't want to repeat what they've said, but we're greatly offended, or at least some members of this committee are greatly offended.

The problem is that this misinformation is now out there and it's out there because of the Ministry of Housing. What do you intend to recommend to the minister that she do to rectify this misinformation that has been spread around the province of Ontario?

Mr Burns: I think, again, that the question of the minister's communications in her letter are questions that should be put to her.

Mr Tilson: But if you admit that there is misinformation that has been spread around the province of Ontario by the Ministry of Housing, don't you as the deputy minister have an obligation to rectify that misinformation?

Mr Burns: Just to go back to the Chair's opening remarks, ONPHA itself is an independent organization. They've had some correspondence with the auditor and they will reflect in whatever way they think is appropriate on all of that. The part that has to do with the minister's communication, there's no question, it should be put to the minister.

Mr Tilson: So you don't intend to do anything? That's your answer?

Mr Burns: No, that's not my answer. My answer is that if you're dealing with the minister's communication, you should deal with her.

Mr Tilson: The difficulty is, sir, that we're trying to determine what the administrative proceedings are with respect to non-profit housing. Look at those four points.

I'm not going to read them. You've got them memorized. You've had this and it's probably before you now. Those now appear to be—

Mr Burns: I certainly have a copy here. I don't—

Mr Tilson: I'm sorry, Mr Burns?

Mr Burns: I certainly have a copy here but I don't pretend to have memorized every piece of all this.

Mr Tilson: Of course. Is that your response to the committee with respect to those four points? Are you saying those four points are correct?

Interjection: He's already answered.

Mr Burns: I've answered that question, I think.

Mr Tilson: So you're saying they're wrong and yet you're simply going to let it stand that the minister has now sent out a letter saying that those points are correct.

Mr Burns: Once again, I think that if you're going to ask a question about the minister's communication, you should put it to her.

Mr Tilson: All right. Let me ask you this: How and why does this group receive funding?

Mr Burns: I think I indicated in a general way in response to a question placed by Mr Cordiano earlier on that they derive revenue from membership fees, from some of their activities, particularly the conference and the education and training programs that they run, and they get two types of money from the ministry: a general grant in support of their activities as a sector organization, and from time to time specific funding to undertake particular bits of work that are important from the ministry's point of view.

For example, we have given them some funding to ensure that they can fully participate in some of the program design work that we're doing right now and they were given other targeted funding to develop training programs that we think are important. So their revenue is derived from those sources.

Mr Tilson: Were you aware that this Ontario Non-Profit Housing Association was submitting to its members this document, Ontario Needs Non-Profit Housing?

Mr Burns: We were certainly aware that they were working on some form of material, yes, but not in the way of, approve this, or that sort of relationship.

Mr Tilson: Did you ever see a draft of it before it went out?

Mr Burns: No, I didn't.

Mr Tilson: Did they ever discuss with you the contents of this document?

Mr Burns: Not with me, no. They did ask the ministry for answers to particular questions, background material of various sorts, but this is not a document that was approved in draft in the ministry.

Mr Tilson: So you had no inkling that this group was sending out this report, the contents of this report?

Mr Burns: I knew they were working on a document which, from their point of view, was going to outline what they thought the arguments were in favour of a non-profit housing approach, but that's the sum of it.

Mr Tilson: Were you aware that they were going to be taking shots at the Provincial Auditor?

Mr Burns: You've chosen some careful words, but no, I wasn't aware they were going to take shots at the Provincial Auditor. Obviously, in the context of the time when they wrote it, they would deal with a debate about the auditor's report, but—

Mr Tilson: What did they tell you?

Mr Burns: Just what I've said, that they were working on a document from their point of view.

Mr Tilson: They didn't tell you specifically what they thought of the Provincial Auditor's report?

Mr Burns: Not in the sense that you're near with this question, no.

Mr Tilson: Did you or your staff provide any assistance to this group in the preparation of this report?

Mr Burns: As I've said, we have an ongoing dialogue at many levels with this organization and many others, and yes, they did ask for some background material, but no, we didn't review or sign off on the draft.

Mr Tilson: None of your staff would have provided assistance in the preparation of this report; if they had, you would have known about it.

Mr Burns: If it was any kind of formal thing, absolutely, but as I said, there's an ongoing dialogue with the organization, and I'm aware that they asked questions and collected background material, but—

Mr Tilson: Let's deal specifically with this letter from the Provincial Auditor to the non-profit housing group, because there are a number of questions that are now left up in the air. Is the Ministry of Housing prepared to send out information clarifying this issue, rectifying this issue, rectifying the misinformation that's been sent by Mrs Gigantes?

Mr Burns: As I've indicated earlier, I think questions that have to do with the minister's communication should be put to her.

Mr Tilson: I'm not asking that. I'm simply saying that you have now told this committee that you admit the information is incorrect. Are you prepared, as the deputy minister, to instruct your staff to prepare documentation that clarifies what the minister has said in the past or to clarify what the Ministry of Housing said in the past?

Mr Burns: You know very well that this is the terrain of the minister and I think you should put this question to her.

Mr Tilson: With respect, Mr Burns, this letter is written on the Ministry of—

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Mr Gary Wilson: Madam Chair.

The Vice-Chair: Yes, Mr Wilson. Because I allowed Mr Callahan to finish his line of questioning, he got an extra couple of minutes. I'm doing the same for Mr Tilson and I'll do the same for the government caucus. He's actually got about 30 seconds left.

Mr Gary Wilson: Okay. I just thought this question has been repeated a number of times.

Mr Tilson: Well, I can ask whatever question I want, and stop interrupting me.

Mr Gary Wilson: Excuse me, would you go through the Chair, as I was trying to do? I would tell you, through the Chair, Mr Tilson—

Mr Tilson: No, I'm going to tell you to your face: Stop interrupting me.

Mr Gary Wilson: You've gone over your time. I was just checking.

The Vice-Chair: Let's just cool things down a little bit. Mr Wilson, I'll allow Mr Tilson a minute to complete his question and then we'll go to the government caucus, and I again will add a couple of minutes on your time.

Mr Tilson: Mr Burns, I find it difficult when you admit that there has now been misinformation that has been spread around this province. You, as the deputy minister, are now telling this committee that you personally don't intend to do anything to rectify that.

Mr Burns: What I have said is that questions about the minister's communication and the package should be put to her, in my view.

Mr Tilson: I'm going to ask you one more question. It sounds like that's all I'll have. How far away are you from providing the information that this committee has requested and the Provincial Auditor has requested of you?

Mr Burns: You'll remember from the discussions of the spring and the fall that we had talked about quite a large number of subjects. The work we're doing on those is imbedded in work plans with many different time schedules on them, so there isn't one answer to that.

When my office got the request, I think in the middle of last week, to attend here, we had understood that it was for the purposes of an update, as well as perhaps to discuss this.

Mr Tilson: You didn't expect this cross-examination, I'm sure. Thank you, Mr Burns.

Mr Burns: I have written to the Chair indicating what I think I can do in terms of an update and when an appropriate time might be. I said I could give you an update later in the spring. As I indicated to the auditor some weeks ago, we were going to do a review at the end of the fiscal year, which was of course last week, so we're doing it right now.

The Vice-Chair: Mr Tilson, Mr Burns has previously survived the rigours of the Toronto city council so I think he's quite used to the interrogation. It may not have been as much of a shock as we thought it was.

Mr Tilson: I'm sure he's not shocked at all.

The Vice-Chair: We'll go to the government caucus.

Mr O'Connor: I appreciate your coming here today, Mr Deputy. When I review what we've got before us and we take a look at the letter which seems to be the main bone of contention here, there seem to be some differences of opinion that these are direct personal attacks endorsed by the minister, which I don't agree with, and it seems that there are members of this committee who feel that our impact is far greater than perhaps maybe the reality is.

The very first line of the letter is, "In recent months, non-profit and co-op housing has been the subject of public debate."

What I'd like to ask you is, do you think the only public debate that has taken place is a direct result of the Provincial Auditor's report and the hard work of this committee? I would like to think that maybe that's why the public debate has all taken place, but do you think there could be public debate that takes place outside of the realm of us humble members here? Do you the main focus of public debate on non-profit housing is directly as a result of the Provincial Auditor's report and only the work of this committee.

Mr Burns: I'll restrain myself from commenting on the committee.

Mr O'Connor: We've got a great ego, though.

Mr Burns: Clearly, there has been a significant public debate about the character of housing policy generally in the province, and non-profit housing is an aspect of that. I think I started my presentation last March with a discussion of the major events and the debates about housing policy in Canada and how that had changed the non-profit program.

The debate that includes trying to assess the relative merits of a shelter allowance approach and a non-profit approach

has been quite intense for the past three years in the province and was quite intense about 10 or 12 years ago as well at another juncture when housing policy was extensively debated.

Mr O'Connor: You're disappointing me, because I thought the only reason this public debate took place was because of the hard work of all the fine members of this committee and the work that the Provincial Auditor has done. Maybe some of this debate has been going on longer than just what has taken place here, though that's clearly not the point of view that some of my opposition colleagues have.

The purpose of the non-profit housing report was to talk about some of that public debate. Have other reports gone out by this group on non-profit housing in the past? Is this the very first time they've ever done this? I don't know if you know that or not.

Mr Burns: They have a regular communications program. They have a newsletter which discusses policy issues as well as program issues. I don't know the answer to the question, have they done a sort of general policy piece of this sort before? I don't know the answer to that, but they do produce communications and publications about the program and about administrative and policy issues regularly. They have a big annual conference at which, among the many workshops, are workshops on policy issues as well as on issues of administration and financing.

Mr O'Connor: The Provincial Auditor's report was something this committee took quite seriously. It falls under the mandate of this committee to take a look at it and to make sure that we can deal with it. As we go through this process of trying to address the concerns of the Provincial Auditor, has there always been total

agreement with everything the Provincial Auditor has said, from a ministry point of view? Has there always been total agreement with everything the Provincial Auditor has said, in the practices of accounting and what not?

Mr Burns: I think no public organization subjected to an audit, or very few, is ever going to say it agrees with every single thing that an audit assessment has concluded about its organization.

Mr O'Connor: So there's a process of learning, would you say?

Mr Burns: So there were some things about the auditor's report that we didn't fully agree with and we indicated those in our letter to the auditor, which was embedded in his report. But I do want to emphasize that those parts of the auditor's report that pointed to weaknesses in our administration and in our financial management were comments that we agreed with and that we thought as a ministry we had to respond to.

Yes, we did—and there's nothing uncommon about that—disagree with some parts of the auditor's assessment of the program. It's not because there was a disagreement about what we thought was fundamentally important about areas that needed improvement.

Mr O'Connor: As you go through a process like you're going through right now, and you're going to come back to this committee, there is always a little bit of learning that takes place, on behalf of both the auditor and the auditee, the people who are being audited, because there could be some differences in the way things are evaluated.

I don't know; I guess my concern is that what we've got here are some egos around this room that have been touched. We'd like to think this committee is the only reason we have public debate on housing issues, but I don't think that's the case. I'd like to pass it forward to my colleague Mr Wilson.

Mr Gary Wilson: Welcome, Dan. Nice to see you here. I'm not a member of this committee and I have a great deal of respect for it. I certainly must say that this imbroglio that has been highlighted here has in no way undermined my respect for the operation of the committee, although on the other hand, in fact, this morning I was supposed to be sitting on another committee, looking at what I thought was a very important bill, namely, Bill 120, which I thought the opposition was eager to get on with too, but we can't do two things at once so it was determined that this was the more important matter from their perspective. From what I've heard so far this morning, I think it is a tempest in a teapot, to use an old phrase.

I think, though, from what I see of the correspondence I have in front of me—

Mr Callahan: Point of order, Madam Chair: I believe the member said—I don't want to misquote him. Did you say that the reason the opposition didn't deal with item 3 on our agenda was because we thought this was more important? Is that what you said?

Mr O'Connor: No, there's another committee that has been cancelled.

Mr Callahan: Oh, all right. That's why I wanted to know what he had said.

Mr O'Connor: Let's get it clear then; you don't care about those tenants.

Mr Callahan: Relax, Larry.

Mr O'Connor: It's clear.

The Vice-Chair: Mr O'Connor, Mr Wilson has the floor. That was not a point of order. Mr Wilson, would you please continue.

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Mr Gary Wilson: I'm not surprised to hear the point of order since I found it unfortunate that Mr Callahan used the word "witchhunt" when he didn't have to at the beginning of this committee. As I say, it's in keeping with that. You went on to say that you didn't mean that it was a witchhunt, so at least you caught yourself after you said it, but as I say, I wasn't going to get into that.

As I was saying, I thought it was said here by one of the Liberal members that it is the mandate of the public accounts committee to make sure that administrative matters are looked at. I know that this is what you thought it was too since you spent a lot of time before this committee looking at the auditor's assessment of non-profit housing from the Ministry of Housing, and in fact you've said that you'll be back to discuss some of the concerns that were raised. I think you said that it was raised that you agree that significant administrative improvements could be made and that work is being done on that, which I would like to touch on briefly in my questioning.

But I did want to say about the letter that the letter was sent by Mr Peters to the Ontario Non-Profit Housing Association, in particular to Robin Campbell, and that was dated March 1. On March 7, there is a reply sent by Robin Campbell to Mr Peters that says that any kind of misrepresentation that the auditor found was unintentional, that it wasn't their intention; it was to set out—in what I think the auditor himself said would at times seem like a propaganda campaign waged in the public media. When looked at in that context, I think it's quite clear that things can be put out in a way that does not reflect what is being attempted.

Mr Tilson: You are getting worse. He's getting worse.

Mr Gary Wilson: I would like just to ask: What is the ministry view of trying to put out what it is that the ministry is doing through its non-profit housing program, that has been criticised quite roundly in the media, in particular with the view of the shelter allowances? Could you just summarize that perhaps, bring some light to bear on this question of what is, after all, the whole background to this question.

Mr Burns: I take it in your remarks that there were two questions, one about our work on improving the administration of the program and the second on the ongoing public discussion about the value of shelter allowance approaches or the value of non-profit program approaches, or other approaches to housing policy.

As I indicated earlier to another question and in a letter that I wrote to the Chair of the committee about 10 days

ago, we're doing a review of where we stand in relation to these things at the moment, and we expect to be sharing that with the committee after we've shared it with the Provincial Auditor's office some time in the next number of weeks.

Members will remember that the discussions of last spring and fall focused on some particular areas; one was the selection process for proposals. At least in a general way I can indicate that we've made a very substantial change in the way project proposals are evaluated and selected.

A proposal call was moved to a proposal call format, which provided extensive information to potential sponsors but also extensive requirements. We did a very formal assessment of those submissions, a scoring system. We provided those evaluations back to sponsors; they knew where they stood. We interviewed a large number of the people who made application. In fact, in the next round we will be interviewing everybody, all the boards that wish to sponsor non-profit housing. We did a whole series of things intended to make the selection process clearer, fairer, easier to understand and that would effectively reflect the program's goals.

Second, we've published a major compendium of guidelines that have to do with the early stages of development, selection of a site, selection of professionals to work on a site, and the requirements that we have about sites and particular proposals, their qualities dealing with environmental issues. All of these things are significant improvements or, in some cases, brand-new introductions into the program delivery, and they're all areas that were discussed at some length in the spring and the fall.

We had a significant discussions at one of those times, I've forgotten which, about appraisal methodologies. We have done a review of our appraisal methodologies, and I think concluded they needed some improvement. We've installed a new system. We've installed new business practices for dealing with turnkey developers, and a series of other activities like that.

As I indicated earlier, we are doing a review and we'll provide formal updated material as soon as we are able to do that.

With respect to the ongoing public debate about the relative merits of shelter allowance approaches to housing policy or non-profit programs or other supply strategies, what the ministry has done is to undertake some general policy work that looks at those things and tries to contribute to the debate by providing professional assessment of what we believe the alternatives may mean, looking at the literature, and from time to time we publish materials of that sort. I think we're about to do another one of that type of material.

Mr Gary Wilson: Do you know what the reaction to the mailing was that's in question here? Was there a response to it that looked for more information, for example? Is this why you're preparing another document?

Mr Burns: I understand that some of the response to this particular mailout was "We would like to know more about this," but that's not the only reason we've been taking a look at that. As many people have indicated

here, this has been a significant public debate for a while. We have contributed professional material to this debate before and we're going to do it again. Yes, I understand that people have made those sorts of inquiries, but that's not the only reason we've been doing this kind of work.

Mr Gary Wilson: In the changes you've made to the new non-profit program and the kinds of appraisals you're carrying out now, what are you hearing from the sponsors? Are you finding this is something they're pleased with? Are there suggestions that have been made by them in the past? For instance, interviewing them all now, that seems to me a very positive step: Everyone will have a chance to put their proposal in the way they think it should be seen.

Mr Burns: I think I can summarize the response by saying a few things. First, this process is much more demanding than earlier ones, and some potential sponsors have found it tough to respond to the kinds of requirements that have been laid down.

On the other side, feedback from quite a few sponsors, particularly ones who want to try for the first time, who are not repeaters, is that they have found the material enormously helpful in getting organized themselves, particularly having a formal interview with a group of people from the sponsoring board. We've had a lot of positive feedback on that. That's part of the reason we're going to move to a universal interview format for the current round, to make sure that every potential sponsoring group has an opportunity to participate in an interview format.

Mr Gary Wilson: Have you noticed any fallout from this discussion? Is the number of proposals coming forward, say, any less than in the past?

Mr Burns: I think I've indicated to the committee before that the number of people who wish to participate in this program has risen dramatically in the last couple of years. In the 1988-89 period, there weren't a lot more qualified sponsors than there was funding available, but by the time we got to 1991 or 1992, there were perhaps two or three good-quality proposals for every one that was fundable.

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In the last proposal call we issued last year, we had funding available for 5,000 units and we had proposals for 44,000, nine to one, and in some regions it was considerably higher than that. The end result is that the people who have been able to get funding are good sponsoring groups, and many groups who even a few years ago could have expected to have qualified and receive support haven't. The preliminary indication from the current proposal call is that we're going to be in the same range, that is, nine to 10 times as many applications as we have the capacity to fund.

Mr Gary Wilson: It just shows how important it is to make sure that the money that is spent on the program is as cost-effective as possible.

Mr Burns: Absolutely.

The Vice-Chair: The government time has actually expired plus a bit; I gave you an extra three minutes.

Interjection.

The Vice-Chair: No, it was all very fair and impartial, I can assure you. The auditor has, I believe, a question of the deputy minister and some comments.

Mr Peters: Actually, in a way, not a question; I just wanted to just see whether we can't find some ground here to work on.

First, I'd like to read the last paragraph of my letter to the Ontario Non-Profit Housing Association. We said:

"For the benefit of all concerned, especially the Ontario taxpayers, we look forward to the Ontario Non-Profit Housing Association working together with the Ministry of Housing in developing solutions to improve the cost-effectiveness of Ontario's non-profit housing program. That would be far more constructive than to publish 'Ontario Needs Non-Profit Housing' with factually incorrect and misleading statements."

I want to get back to the point that was made, the inference—maybe it was unintentional—that there is just a difference of opinion between the Ontario Non-Profit Housing Association and ourselves. The facts speak for themselves. The Ontario Non-Profit Housing Association has a big title: "Four misleading statements from the Auditor's Report." The statements they cite are statements that we have not made the way they made them, and that, to us, is totally unacceptable. That's why we raised it to this committee.

The minister herself had some concern. I cite a press release which unfortunately is undated, but it was picked up verbatim in February 1993 in one newspaper. I would like to read her own statement, and that might help in some of the debate. She says in here, and it was part of the package the ministry provided us with:

"I'd like to address one other issue, and that's the suggestion that the auditor's draft report was somehow laundered. The Provincial Auditor is an official of Ontario's Legislative Assembly, operating at arm's length from the government. The auditor writes a draft report and gives the ministry a chance to respond to it. After that, he chooses what goes into the final report—the same kind of process that is followed in other corporate audits."

The reason I'm reading this in is that I would like to get off the table any impression that the process by which we make our statements and by which we debate with the ministry our report—that's a totally different process from the one which was followed by the Ontario Non-Profit Housing Association in, quite frankly, what I consider quite an irresponsible statement.

The deputy has advised the committee that he was not made aware of the details of that document, in questioning by Mr Tilson. We have made the statement, and it's written right in the letter, that we find it inexcusable that they would make these sorts of statements in public and distribute them to media outlets and to 2,000 non-profit housing associations without any debate with my office about whether they're citing this correctly.

Where it becomes a problem, indeed, in the end is the covering letter by the minister. Here's an association that has not followed what would be common courtesy and a good way to write a report and make statement about an

office of the Legislative Assembly, and then sent it out.

I'm a little concerned about downplaying this to the level of a tempest in a teapot, quite frankly. I think this is a more serious issue than that.

The Vice-Chair: We have notice of motion that Mr Callahan mentioned when he was making comments about an hour ago, but in the meantime, do we have any other questions of the deputy minister before we release him?

Mr Cordiano: I've been asking to be on the list.

The Vice-Chair: There appear still to be a few questions. Can you keep your questions as brief as possible? I know the deputy will also cooperate in giving very brief answers. Can you limit it to one question each? We only have a little over 10 minutes left.

Mr Callahan: One question from each caucus? Joe wants to ask a question; I do too. This is a very important issue. I don't think it's something we should just—

The Vice-Chair: If the questions are kept extremely brief, without preamble, each of the members who wants to ask a question, regardless of caucus, can ask one—but very little preamble.

Mr Gary Wilson: Excuse me, Madam Chair. How are you going to determine the order of speaking here?

The Vice-Chair: Whoever put their hand up.

Mr Gary Wilson: Starting now? I mean, there was a rotation here.

Mr Cordiano: Madam Chair, on a point of order: We started this session 10 or 15 minutes late. I know the deputy minister was here on time, but we did start at 10:15, I believe, so we do have some leeway.

The Vice-Chair: We started at 10:07.

Mr Tilson: Let's move on.

The Vice-Chair: Yes, let's move on rather than waste it in procedural time. One very brief question, one minute each. Mr Cordiano, go.

Mr Cordiano: Mr Burns, the central point here is that you have disassociated yourself from the remarks put forward by the Ontario Non-Profit Housing Association document which was sent out and which the committee has taken issue with, along with the auditor. Obviously, you have clearly stated in questioning this morning that you do not agree with the points of view put forward in that document, specifically the comments made with regard to the misleading statements in the auditor's report. If you don't, I personally, as the critic for my party, would have to question whether anything we've recommended in the report of the committee that we put forward is being taken seriously by the ministry, regardless of what letters were put out by the minister. We should take that up, as you say, with her, and we will.

The Vice-Chair: And your question is?

Mr Cordiano: I have asked the question, that you disassociate yourself from the report that was sent out by the non-profit housing association.

Mr Burns: Just in keeping with the Chair's injunction, two brief comments. The ONPHA publication is not a completely accurate description of what happened; I

acknowledge that. Second, though, I said a couple of times and I'll just confirm again that the ministry itself remains committed to the goals that were established in the dialogue with this committee.

Mr Callahan: In looking at the letter of January 28 from the minister, Evelyn Gigantes, it appears to be a form letter, "Dear Sir/Madam," and then it goes on to say what it says: "In recent months, non-profit and co-op housing has been the subject of public debate. Some critics have attempted to discredit Ontario's highly successful...."

It appears as though it was a strategy to offset the rather unfavourable comments that emanated from groups such as the landlord groups, but more importantly from what the auditor was quoted or headlined in the papers as saying. I can't remember the exact terminology. It's referred to by Ms Campbell where she says, "The press carried many articles using such language as 'Auditor Slams Non-Profit Housing,'" and she was upset because he didn't respond and say, "I didn't slam non-profit housing."

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It appears to me that this was obviously a prearranged and a well-conceived plan to try and fight off these facts, so clearly the ministry was involved in this process. My question, first of all, is was it a clearly planned program? You've got a form letter with the contents in the form letter. Second, one would think that with the auditor's report which came out in 1992 where those remarks were made, someone would have reviewed the comments in the documents you're about to put in there to give some support to your process and made certain it was accurate.

Those are two questions. I don't know whether you can answer either one of them, but give it a whack.

Mr Burns: Just to confirm a couple of things we touched on earlier, this work was not commissioned by the ministry. Second, questions about the minister's communication should be put to her.

Mr Tilson: My question is simply to repeat a question by Mr Callahan earlier. My understanding is that this group, the Ontario Non-Profit Housing Association, wasn't the only group that sent this material out, that similar statements were sent out by Cityhome and others.

Will you undertake to inform this committee of two things: One, what was the cost of the ministry in sending out this information to not only non-profit housing associations but also to municipalities? I understand it was sent as well to municipalities around this province. Second, what other groups, within the knowledge of the ministry, sent out similar statements to their groups? I know Cityhome is one. What other groups sent out similar statements?

Mr Burns: The answer to the first question I actually have. The distribution cost was \$3,000. The question of whether other groups in the community may have used this in some other distribution process they're involved in is one I can't answer today, and it may well be that we can't answer it. We're not necessarily aware of what community organizations are doing with the material.

Mr Tilson: I can't believe those groups don't sent

you copies of their newsletters or their distributions. You may not know personally, but I'm sure it's just a simple question to your staff about what those groups were and who they were.

Mr Burns: I am certainly prepared to ask. We do, as you say, get the people's newsletters. However, other distributions they may be doing with their own communities—

Mr Tilson: Cityhome did it, as one group.

Mr Burns: They may well have. I don't know that.

The Vice-Chair: If the deputy could provide any information he has in writing, that would be helpful.

Mr Gary Wilson: I would like to put this in the perspective I see it, that the overriding concern of the public accounts committee is to make sure that the Ministry of Housing is meeting its mandate in a cost-effective way.

You've been before this committee many months in the recent past and have listened carefully to what has been said here and apparently have made some changes. Is this not true, that you have taken what's been discussed at this committee and made changes to the non-profit housing program at the ministry? Do you not see that as being a very valuable role of the public accounts committee?

Mr Burns: As I think I've indicated in my previous attendance at the meetings of this committee, these forums are valuable and important. We take both the findings of the audit report and the discussion that arises as a result of it seriously. We've said that before, and I'll say it again here.

Mr O'Connor: I'd like to state for the committee that in reviewing the minister's letter, I don't see that in any way an endorsement of some disagreements that have been put on the record by the Ontario Non-Profit Housing Association. In looking at the letter—

Mr Tilson: On a point of order, Madam Chair: Mr O'Connor has indicated that he's speaking on behalf of the committee, and that's not true.

Mr O'Connor: I didn't say that. I said I don't agree with everything the committee has said at this point. The fact of the matter is that I don't believe all this public debate that's referred to in here is totally because of the egos of this committee. There's been a lot of public debate over non-profit housing and there will continue to be. Even the auditor's integrity as to non-profit housing—he doesn't attack non-profit housing, at least I don't believe he does. What he's talking about is the accounting principles.

I have a question to the auditor. In the letter back to you on March 7, from Robin Campbell, the executive director, on the last page is:

"I regret your feeling that we misrepresented your report, since that was not our intention. Our intention was merely to respond on behalf of our members in a matter of public policy and public debate.

"Thank you for bringing your concerns to my attention" and would you like to sit down and meet further to discuss this?

I wondered whether you've responded to that. I believe what we've got here is that tempest, at this point, and I hate to see this committee wasted in this sort of endeavour. Have you contacted Ms Campbell to address this?

Mr Peters: No, I have not contacted her. My concern, quite frankly, is that if somebody said to you that you have made a misleading statement and then said "I didn't intend to state that," I have a real problem with that, I have a very serious problem with that. You cannot push this out into the public and say we misled, and use the word "misled," and then say afterwards, "I didn't intend to say that." I find that not acceptable. I have not met with them yet and we have not considered meeting with them because we considered that it's lukewarm. It was more important to us that this committee was informed that this indeed had happened, because the standing committee is mentioned in that publication as having challenged my office, and that was simply not true.

Mr Cordiano: On a point of order, Madam Chair: I think it's totally inappropriate, with all due respect to the question that was asked. This committee's mandate, very clearly, is to defend the integrity of the office of the auditor—

The Vice-Chair: I'm sorry, Mr Cordiano—

Mr Cordiano: —and we would be out of order if we didn't do that, Madam Chair.

The Vice-Chair: That is a very nebulous point of order. What I would suggest is that Mr Callahan has given notice of motion—

Mr Callahan: I'm about to give.

The Vice-Chair: Well, you said you were going to raise a motion.

Mr Callahan: Yes. I'll read it into the record and then we can deal with it at the next—

The Vice-Chair: I would suggest that the subcommittee meet within the next week and decide—

Mr Callahan: Sure. You can decide whether you like my motion or whether you want to make it different:

"Whereas ONPHA prepared and distributed a report entitled 'Ontario Needs Non-Profit Housing'; and

"Whereas the Minister of Housing referred to such publication for the purpose of setting the record straight, by letter of January 28, 1994; and

"Whereas some 2,000 copies of this report were distributed; and

"Whereas such report contains several incorrect and misleading statements attributed to the auditor;

"Moved that the public accounts committee require from the Minister of Housing a public apology at committee for disseminating a document which inaccurately reflected findings of the auditor of Ontario on the issue of non-profit housing in his 1992 report;

"Or, in the alternative,"—we'd give her an alternative—"send a letter correcting the inaccuracies contained in the report 'Ontario Needs Non-Profit Housing,' prepared by ONPHA, to all those who received the original document."

The reason for this is that I feel very concerned that

Peel Non-Profit, a very successful group in my community, had to rely and did rely on the integrity of this document based on the fact that it was accompanied by a letter from the minister recommending it. I object to that, and I think we have to stand up and have this matter rectified in a public forum so that the auditor's integrity is maintained, and that the people out there in the non-profit community know what the truth is as opposed to what fantasy people want to fly into when they read a report.

The Vice-Chair: Thank you, Mr Callahan. As we don't have sufficient time for debate, I would suggest, rather than opening up for comments now, that we table this, that the subcommittee will meet to discuss any

further action or recommendations to the full committee, and we can bring that back to the committee.

I would like to very much thank the deputy minister for his attendance today. We can appreciate the difficult position you are in, in that you couldn't give answers as fulsome as you would have liked, given the fact you did not send out the letter, and we do appreciate the fact that you have come before us. We will send a letter to you at a later date itemizing any further actions of the committee.

The public accounts committee stands adjourned until next Thursday morning at 10 o'clock.

The committee adjourned at 1200.

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- ***Vice-Chair / Vice-Présidente:** Poole, Dianne (Eglinton L)
- *Bisson, Gilles (Cochrane South/-Sud ND)
- *Callahan, Robert V. (Brampton South/-Sud L)
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- Perruzza, Anthony (Downsview ND)
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**In attendance / présents*

Substitutions present / Membres remplaçants présents:

Carter, Jenny (Peterborough ND) for Mr Perruzza

Wilson, Jim, (Kingston and The Islands/Kingston et Les Îles ND) for Mr Owens and Mr Marchese

Also taking part / Autres participants et participantes:

Burns, Daniel, deputy minister, Ministry of Housing

Peters, Erik, Provincial Auditor

Clerk / Greffier: Decker, Todd

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service



**Legislative Assembly
of Ontario**

Third Session, 35th Parliament

**Assemblée législative
de l'Ontario**

Troisième session, 35^e législature

**Official Report
of Debates
(Hansard)**

Thursday 14 April 1994

**Journal
des débats
(Hansard)**

Jeudi 14 avril 1994

**Standing committee on
public accounts**

School board value-for-money audits

Non-profit housing

Draft report
Special education

Chair: Joseph Cordiano
Clerk: Todd Decker

**Comité permanent des
comptes publics**

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 14 April 1994

Jeudi 14 avril 1994

The committee met at 1010 in committee room 2.

SCHOOL BOARD VALUE-FOR-MONEY AUDITS

The Acting Chair (Mr Bruce Crozier): I know the members won't be any more sympathetic than normal, but this is the first committee I've chaired, so if I mess up, take that into consideration. I'll also apologize for names because I haven't yet learned everybody's name.

We're going to pick up where we left off last week and that was the discussion of Mr Callahan's motion. We have Paul here this morning to answer any questions.

Mr Robert V. Callahan (Brampton South): I've just spoken with the auditor and I think this motion could be made a little better. I'm going to ask him if he would guide us through the changes that he suggested to the motion.

Mr Erik Peters: The motion as it is before you has two parts. The first paragraph deals essentially with establishing the principle and the second one gets a little bit into how the minister should apply this particular principle.

Starting with that premise, I was wondering if you might not want to expand a little bit the statement of principle and put the how-to-implement section into a preamble, let's say, "In debating this motion, the committee considered the following options," and go into the details, because the rest would get the minister into whether or not he can apply section 234 of his act or other things. There may be other things that may be available to them to achieve the purpose which the committee has in mind.

The specific suggestion that follows out of that would be to broaden the first paragraph by adding at the end of the second line, after the words "school boards," the words "be subject to."

Mr Callahan: Is everybody with us?

Mr Rosario Marchese (Fort York): Mr Peters, if you wouldn't mind repeating that last part.

Mr Peters: In the first paragraph of the motion, after the words "school boards," insert the words "be subject to" and remove the word "conduct" and then make a full stop after the word "audits" and take out "relating to the expenditure of funds transferred from the province" and add a new sentence, which would go, "In doing so, the minister may wish to avail himself of section 17 of the Audit Act." Then I would recommend the removal of the second paragraph. Can I just read the whole thing?

It would read—especially, Mr Callahan, if you're in agreement; it's your motion—"That the committee

recommends that the Minister of Education and Training implement the necessary steps to require that school boards be subject to value-for-money audits. In doing so, the minister may wish to avail himself of section 17 of the Audit Act."

Just a reminder, section 17 itself essentially says that a minister of the crown, the public accounts committee or the Legislative Assembly as a whole may wish to instruct the auditor to conduct certain audits. It then has a second provision in there under which I can accept these assignments based on the availability of resources to my office, whether I have the resources to do so.

To just follow up a little bit, we were discussing at length the matter of inspection audits, and under the Audit Act there are two kinds of audit, two levels of duties that I have. There is a lot of "shall"—the Provincial Auditor shall do this and shall do that—most of which result in the report outlined in section 12, but the inspection audits are introduced with the word "may." So we're dealing here with the inspection audits, which have certain optional features in them. The biggest optional feature is really that they shall not prevent me from carrying out my other duties, so that's why the "subject to resource availability" is in there.

This amendment would, therefore, open it quite wide for the minister. The instruction is to make school boards subject to value-for-money audits, but how he actually goes about it, which auditors he appoints to do so, whether it's private sector auditors, his own internal auditors or through section 17 the Provincial Auditor, would be at the option of the minister, and it would be given a wider range of discretion as to how to install it. But the committee has established the principle that school boards are subject to value-for-money audits. With that I cede the floor.

Mr Callahan: I thank the auditor for that, but my recollection was that at the last committee meeting we had referred this to the subcommittee to make appropriate changes, particularly in light of what we had been told by Anne last meeting about section 234. So the auditor has done it for us. He has suggested a recital. Maybe that's something we're going to have to do ourselves, unless, Erik, you've got a suggestion.

Mr Peters: The suggestion would be, actually, to build on the second paragraph in terms of stating that, in discussing this motion, the committee considered that the minister may want to avail himself of powers given to him under the Education Act to ensure that audits of a value-for-money nature are conducted and that there is a report on such audits to him, or that the minister may

wish to consider making grants to school boards conditional on boards agreeing to have value-for-money audits conducted. That would sort of capture the spirit, I think, of your two points and put that as a suggestion to the minister.

Mr Callahan: So really what you're saying is that the substance of paragraph 2 should be incorporated into a recital just to simply let him know what we considered. Is that amendment agreed by all members?

Mr Larry O'Connor (Durham-York): Could we have some legal thoughts on this, whether you think this may alleviate some problems, or do you see any problems in that?

Mr Paul Murray: I don't know that it really raises any legal issues. Certainly the changes to the first paragraph that the auditor suggests don't raise any problems.

Mr David Tilson (Dufferin-Peel): What does section 17 say?

Mr Murray: When I gave the opinion a couple of weeks ago, I gave the opinion in the context of this committee's power to direct the auditor to conduct value-for-money audits. It's a special assignment section. It's the section under which this committee directs special assignments. That section also refers to ministers and to the Legislative Assembly, so whatever powers this committee has to direct special assignments, the minister would have.

The problems that may arise in section 17 are all the problems that I raised a couple of weeks ago in the context of the committee trying to direct value-for-money audits, and that was, it's not entirely clear, although it was my opinion the committee would have the authority to direct the auditor to do a value-for-money audit of school boards.

Similarly, the minister would have that authority, but it's quite likely that there might be legal arguments against that position, whereas the other options didn't get into the problems raised by section 17 and that's why those were also raised at the time.

1020

Those are the only things to keep in mind with this approach, but the way the Provincial Auditor suggested changing the motion is still making it general in the sense that it's still recommending to the minister that the minister take the necessary steps to require value-for-money audits. The minister could take whatever steps are available to them, including the ones we mentioned in the second paragraph, and then just add to that, in doing so, the minister may use section 17, but it wouldn't be limited to section 17.

Mr Marchese: I just wanted to support the general direction of what Mr Peters has recommended. I was originally concerned about requiring board auditors to conduct audits because that would obviously be a great expense to the boards. Doing this gives the minister the authority under that act to be able to conduct these audits, which I think we're all in agreement with, and therefore keeping the cost at the provincial level as opposed to the board level. But I think we not only state the principle of wanting to do this but also are instructing or directing the

minister to choose the option that gets us to that audit, and I think that's what we all want. So I support your direction.

Mr Callahan: If there's no further discussion on it, then perhaps we can vote on it. I don't want to belabour the point. We've all been through this.

Mr O'Connor: The only other question I might have would be the gender language in there.

Mr Callahan: Yes, his or her.

Mr Peters: We drafted in a hurry. I apologize.

Mr Callahan: But other than that, we've been through this for a long time. Actually, this will spur on the general amendments to the Audit Act which will make unnecessary the passing of specific motions to deal with it.

Mr Peters: Mr Chair, may I make a brief comment just to put you on notice that I would very much like to present to you in the course of this meeting a letter in which I am proposing that the committee consider potentially amending the definition of "inspection audits" under the Audit Act so that these inspection audits could include value-for-money audits. I just want to put you on notice, following up on the comment you just made.

If that's acceptable to the committee later on—that's for later discussion—but because the point has been raised as to whether or not the power for the minister is there to instruct me to do value-for-money audits or this committee to do value-for-money audits, I have a second step in mind after this happens that the committee may wish to debate after.

Mr Tilson: Mr Chair, I wonder if it would be appropriate to do that now. I know it's with respect to inspection audits generally, but maybe we should hear what you have to say before we vote on this motion, because that's what this motion is all about, only it deals specifically with school boards.

Mr Peters: The motion would of course come from this committee. My proposal is merely to outline some of the issues that we are phrasing and making a suggestion that you might want to build in.

The Acting Chair: Would it change the intent of this motion at all?

Mr Peters: No. It would further the execution of the motion.

The Acting Chair: I'd suggest, though, that if it wouldn't change the intent of it, this motion should stand on its own, if that's what Mr Callahan wants. It's his motion.

Mr Tilson: Quite frankly, the reason I raised that initially was that, are we in fact putting forward a meaningless resolution? I mean, I support it. I don't want the member to misunderstand that.

Mr Callahan: I'm offended.

Mr Tilson: But are we putting forward a meaningless resolution? I don't know. I'm assuming we may be.

The Acting Chair: I'm still concerned that if it does change the intent of this motion, his motion should stand on its own.

Mr Peters: May I just give Mr Tilson the assurance, though, that it does not make this a meaningless motion.

Mr O'Connor: Mr Chair, on a point of order: I appreciate what the auditor has brought forward for us for discussion, but it's something we haven't discussed at the subcommittee meeting and I think it would be more appropriate that the subcommittee have an opportunity to discuss whether or not we're ready to move forward in that sort of direction. I would like to defer that area of discussion to the subcommittee, as most areas usually do go through that process.

The Acting Chair: If you'll allow what I'm trying to do, that isn't even on the table yet, so you can discuss it then.

Mr Callahan: Move the motion.

The Acting Chair: All those in favour? Carried.

Mr Callahan: Mr Chair, with reference to Mr O'Connor's motion, this issue has been discussed ad nauseam. It's been in about three reports of the public accounts committees over the years. We had correspondence from the Minister of Finance that the matter was before them, that they were considering it and that it was going to be brought forward.

I know Mr O'Connor may have raised that point of order so we could get on with the first point, which we've dealt with now. I think it's a matter that we should again pass and send on to the minister, not to be pejorative or to be nasty to him. I think in the course of events other events have overtaken this and the response we got from the Minister of Finance was genuine, that he wanted to expand the authority of the auditor. Maybe just another motion to him to remind him that this has been going on for quite some time might be appropriate.

NON-PROFIT HOUSING

The Acting Chair: We'll deal with item 2. Do you have a notice of motion, Mr Callahan?

Mr Callahan: Yes. I'll give it again:

Whereas the Ontario Non-Profit Housing Association prepared and distributed a document entitled Ontario Needs Non-Profit Housing; and

Whereas the Minister of Housing referred to such publication for the purpose of "setting the record straight," by letter of January 28, 1994; and

Whereas some 2,000 copies of this document were distributed; and

Whereas such document contains several incorrect and misleading statements attributed to the Provincial Auditor;

I move that the standing committee on public accounts require from the Minister of Housing a public apology for disseminating a document which inaccurately reflected findings of the Provincial Auditor on the issue of non-profit housing in his 1992-93 annual report;

Or, in the alternative, that the Minister of Housing distribute a letter correcting the inaccuracies contained in the document Ontario Needs Non-Profit Housing, prepared by Ontario Non-Profit Housing Association, to all those who received the original document.

Perhaps I could just speak to that. For those who are perhaps not committee members and are here this week,

the matter was discussed last week. It actually came to light as a result of a document that's cited in here, Ontario Needs Non-Profit Housing, which was prepared by the non-profit housing association, which attributed certain comments to the auditor—I believe there were four of them—which I picked up in a document that was sent to me by my non-profit association, which is Peel Non-Profit Housing Corp.

When I saw them—I didn't see all of them; I saw a couple of them—to me it didn't sound like what I had heard at public accounts and I felt it was important that the auditor be put on notice of it, and he was. In fact you will recall on the last occasion he brought to us I think two others or maybe three others that I had missed.

We heard that this document had been disseminated to some 2,000 groups and in fact it was disseminated with a letter from the Minister of Housing, I suppose the most succinct way I can put it, endorsing it as further evidence of contradiction to the arguments made by landlords, I guess, and to those people who would see an alternative to non-profit housing.

I have no difficulty with that, nor do any of us. I think a minister has the right to do that, but in so doing she either negligently—and I hope that's what it was—or deliberately—I hope that's not the case; I think it was negligently—endorsed this document. It went out under her covering letter, which gives it a good deal more emphasis, and it would give a good deal more emphasis regardless of what party the minister belonged to.

1030

In fact there was evidence from my own non-profit organization, Peel Non-Profit, that in response to a letter from the auditor concerning these inaccuracies that I had pointed out and he had pointed out, they said the reason they sent the letter to me and to others was that they were relying on the letter of the minister and this strong endorsement and indication by her that the document was one to be taken verbatim and every word in it was gospel. That was not the case.

I think any time it happens that any one of us makes a mistake in terms of putting forward information, we are required to correct it and I think that's the twofold either/or. I'm sure I may have difficulty getting the first one, but I would think the second one as a stand-down position should certainly be done and an apology to the groups who relied on it. If any minister is to retain the support and the confidence of these groups, where there's an error they have to say, "I'm sorry and it won't happen again" or "It was an oversight, and we apologize."

There may have been actions taken—I'm not sure the items that were incorrectly stated would have produced that, but there might have been positions taken by non-profit groups out there. There are a whole slew of them. Not wanting to put them down in any way, shape or form, these are volunteers from communities. They're not sophisticated Philadelphia lawyers who are going to understand all of the ramifications of the legalese and all the rest of it.

I think when the minister does that it could result in one of these organizations having either a downside to it

because they follow it or perhaps losing confidence in any further documents that come out or losing confidence in anything further—and I'd say this as a last resort because I would hope it never happened, but they might lose confidence in the particular ministers involved in their whole process. I think that would be to the detriment of Ontario.

Non-profit housing in my community certainly is needed and it serves a purpose for those people who cannot afford to go the usual route. In some of the non-profit housing projects that I've attended the openings of, I've been very impressed by the fact that there is a very strong neighbourly feeling to the place, which you don't necessarily get in an apartment building or you don't necessarily get even in a residential area where everybody owns their own house. I've found there, in knocking on doors, many people don't even know who their neighbour is, whereas, particularly in non-profit housing layouts where they are single-family homes or detached, the people seem to be very community oriented.

I think it's very important that we maintain the integrity of this by ensuring that they can rely with confidence on what the minister says or what the minister offers to them. That's the purpose of this.

There will be those among us who will take perhaps a deeper look at it and say that this is a partisan move and that this is simply to embarrass the minister. I suppose you can read that into it too, but I can assure you that had this been the minister of even my party, if we had been in government, I would have urged this, because I think it's very important that we maintain the integrity of the whole system.

The Acting Chair: I have about eight minutes that Mr Callahan took and I was prepared to suggest that we have about 10 minutes each.

Mr Callahan: Did I speak that long?

The Acting Chair: Yes.

Mr Callahan: Good heavens.

Mr O'Connor: I don't think we need that.

The Acting Chair: Maybe you won't need that. Good, you don't have to take it. Do we have any comments from this side of the table?

Mr Callahan: I can see the votes gathering there.

Mr O'Connor: I think, Mr Chair, that the minister has acknowledged she's willing to send something out in writing. Mr Callahan's motion has an "or," an alternative: The minister would distribute a letter correcting the inaccuracies.

As the member succinctly put it, there was a turn of events here that led to a letter to be sent out. It certainly did stir up some dandruff, and I think the minister is willing to move in a direction to correct that—I think that he can accept that as well—as she stated clearly on the record in Hansard in the Legislature.

Mr Callahan: Can I just inquire of the member whether or not—I think it's important that this committee gets a copy of that correction letter because, as you know, in government—

Mr O'Connor: I think you've asked for that and it

has been recorded in Hansard and it probably will get to us at that point now.

Mr Callahan: But as you understand, whatever political stripe is in power, that letter could be—hopefully within our lifetime, but these things can take a long time. So I would appreciate it if we could get a copy of that when it's sent out so we know that it has been done.

Mr O'Connor: I think that's a reasonable request and I'm sure that the minister's staff are waiting by patiently and making note of your request, Mr Callahan.

Mr Callahan: Oh, all right.

The Acting Chair: Are you ready for the question? All those in favour? Opposed? Carried.

I'm informed the Chair can request a copy of that letter for the committee, if the committee would like that.

Mr Callahan: All right.

The Acting Chair: Now, we have an item 3, which is the special education report, but I'm wondering if we should deal with the Provincial Auditor's earlier suggestion that he had a—no?

Mr O'Connor: I would refer it to the subcommittee for some discussion.

The Acting Chair: How do you determine that?

Mr Tilson: With respect, it's been a topic we've been talking about for years.

Mr O'Connor: Absolutely.

Mr Tilson: I think we should hear it now. Is that what you said?

Mr O'Connor: No. We've talked about this report on special education. I thought we could move to that and refer the auditor's request to the subcommittee so we could perhaps deal with that in a more expeditious fashion.

Mr Tilson: I'd like to hear his letter now.

Mr Callahan: Can I make a suggestion? I think it's important that we deal with the special education item. It has been deferred a long time. If we have time afterwards, we can deal with that motion, or we can refer it to the subcommittee. I notice Mrs Cunningham is here and I'm sure she's here for that purpose.

Mrs Dianne Cunningham (London North): No, I actually came to listen to you this morning.

Mr Callahan: Oh, is that right?

The Acting Chair: It would seem to me that we have the suggestion over here that we move on to the special education item. Not to set you on the back burner, but if that's all right, then item 3.

DRAFT REPORT SPECIAL EDUCATION

The Acting Chair: I'm advised that the committee should consider whether it wants to continue in closed session on this draft, because it is in draft form.

Mr Marchese: Someone should explain, whether it's draft or not, why it should be in private as opposed to public. Is there anything in here that's legal—

The Acting Chair: I can take a stab at it, but we can save a lot of time by asking—

Mr Marchese: My sense is that this can be very public, unless someone can convince me that it shouldn't be.

The Acting Chair: There's no problem with it. It's totally up to you. So there's no reason to consider it in private? Okay.

Mr O'Connor: Draft reports quite often are dealt with that way, dealt with in camera situations.

The Acting Chair: Does everybody have a copy of the draft report?

Mrs Cunningham: Sorry, I don't. I don't know why I wouldn't have it.

Mr Marchese: This is the copy we got about a month ago. Is that the same one?

The Acting Chair: Yes.

Interjection.

Mr Marchese: We're going to stay put.

The Acting Chair: There was just the suggestion that since it's in draft form, we may want to, but there doesn't seem to be any need to do that.

Mrs Cunningham: Mr Chairman, first of all, I apologize that I haven't looked at this. I see the date on it. Maybe I didn't get it because I'm not normally on this committee and we've missed within our own group.

Is the purpose of the meeting today to go through this and ask questions of the auditor and perhaps deal with it again, or is the purpose of the meeting to finish it?

The Acting Chair: I would think the purpose of the meeting is to go through the draft and see if it's in the form the committee wants it.

Mrs Cunningham: Okay. I would feel very comfortable if that were the case.

1040

The Acting Chair: Might I suggest that we take up to 15 minutes per caucus, or is it generally just an open discussion?

Mr Callahan: Mr Chairman, why don't we get through the report and save questions till the end, because otherwise we will wind up not finishing the report. I think it's important that we get this report into the House. I would hope that when we get it into the House it could be debated. It's a significant issue of concern.

Mr Marchese: Mr Callahan, were you suggesting that the researcher carry us through this report?

Mr Callahan: Yes. She can take us generally through it. If you want my assurance, I've read it and I think it's marvellous. I think it says everything we'd like to say.

Mrs Cunningham: Mr Chairman, if I leave to speak in the House just for five minutes, I'll just leave and come back again. I want you to know it's not because of anything the researcher may say.

The Acting Chair: Bob, do you think you have comments or questions as we go through this? I do.

Mr Callahan: The practice we've used in the past, although we've never stuck to it, was that the researcher would take us through it and then when we finished it we would ask questions, unless some burning question arises.

The Acting Chair: Good. Let's go.

Mr Gilles Bisson (Cochrane South): I think we should have a 30-minute debate about how we should undertake this.

The Acting Chair: No. We're going to do it now.

Ms Anne Anderson: Does the committee want me to read it or just go paragraph by paragraph? It's, "On page 1, have you got any comments?" Okay, we'll start at page 1, the introduction. My intention here was just to set the scene, what the committee was doing and how it went about it. The first paragraph talks of the Provincial Auditor's report and how the committee had concerns about special education, the second paragraph about the hearings the committee had, and the third paragraph expresses appreciation to the minister, ministry and to the auditor. Were there any questions or comments on anything on page 1?

The second page: I initially did an overview on special education, looking first at the roles and responsibilities that had been established under the Education Act and where special education had initiated with Bill 82. It goes on talking about the ministry having overall responsibility for the development of legislation and the school board's responsible for the delivery. The second paragraph on page 2 just establishes that there are the identification and placement review committees and special education advisory committees. Are there any comments or questions on that part of the overview section?

Mr Callahan: Could I make a suggestion? There are members here on the committee today who were not here for the hearings and perhaps, Anne, if you could just summarize the pages, what they're all about, and they can read along at the same time and maybe get a feeling for it.

Ms Anderson: Okay. The overview of special education and the roles and responsibilities: Special education received formal legislative power from the Education Amendment Act, which was Bill 82, that was passed in 1980. Before that, special education had been provided by school boards, but it was done—

Mrs Cunningham: What page are you on?

Ms Anderson: I'm at the beginning of page 2.

Bill 82 mandated that children who are identified with special needs should have special education given to them. Under that act and the regulations, school boards are required to put in place procedures for identification of the learning abilities and needs of the pupils and the programs and services that must be available to all those pupils who have been identified as being exceptional.

Each board has to have an identification and placement review committee that examines the students who are referred to it and decides whether or not they're exceptional and recommends a placement for those students. The legislation also requires that each board prepare a plan of its special education programs and services and has to ensure that its schools comply with the plan and submit the plan to the minister biannually.

To summarize that, the ministry really has overall responsibility for the development of the legislation and the school boards are responsible for the delivery of the

programs and services. Each board has the flexibility to be able to tailor the individual programs to meet the specific needs of the children who are identified as exceptional within their own jurisdiction.

The ministry's six regional offices should ensure that the legislation and policies from the ministry are communicated to the school boards within their region.

As well as these IPRCs, each board has to have, by legislation, a SEAC, a special education advisory committee that's made up of board members and representatives of the local parent advocacy groups. The legislation says a SEAC can make recommendations to the board about any matter that affects the establishment and development of special education programs and services for the exceptional pupils that have been identified in that board.

Are there any comments or questions or changes people would like in that initial overview?

Mr Callahan: I notice you're going to get into a table, which is I guess the table outlined in the Special Education Information Handbook. I notice there's nothing in here to cover—or maybe it's covered under "Emotional Disturbance," under "Social Maladjustment." A group came in to see me yesterday—I'm trying to think of the name of the disorder; it's where you've got a tic.

Ms Anderson: Tourette's?

Mr Callahan: Yes. Apparently, these Tourette's people can be learning-disabled as well. They talk about autism, hearing impairment and so on; they specify particular disabilities. I wonder if, for clarity's sake, we shouldn't just make a note of that Tourette's disorder. As I understand it, one in 200 citizens has it and it's a very debilitating disorder, involving speech impairment and so on. I'd like to see it added to our report, at least by way of footnote, that we'd like to see the information handbook specifically deal with that disorder.

Mr Paul R. Johnson (Prince Edward-Lennox-South Hastings): I would just suggest that that is probably inappropriate, in that if we start to deal with specific afflictions, we can probably draft a substantial list. I would think Tourette's syndrome would probably come under the "Behaviour" title, knowing that Tourette's manifests itself in some very mild and in some very extreme ways.

Mr Callahan: You may be right, but the handbook specifically deals with a number of disorders: learning disabilities, speech impairment, language impairment, hearing impairment, autism.

Mr Paul Johnson: If I may interject, Tourette's is a specific syndrome or affliction, and there is a multitude of those. It would come under the heading of, for example, behaviour or social maladjustment. I might even question why autism is in there. I just think that if we start to list them, we can certainly establish a significant list of specific afflictions that would come under any of these five headings.

1050

Mr Callahan: Let me give a specific reason I think it should be in there. I had never heard of it before I met with these people and I think most members of the Legislature probably haven't heard of it, or maybe some

have. There are infinitesimal facilities available in communities to deal with these kids. In fact, what was related to me by the constituents who came to me was that you can't even get a diagnosis. You can in certain areas. Kids who are in the catchment area of Mississauga Hospital can be identified and can get treatment, but in my riding there's nothing available and I wonder if that's not a situation that exists in many of the ridings of Ontario.

By specifically referring to it, maybe we'll get the attention of the—if I had realized this when the ministry was here, I would have specifically asked those questions. That's the reason I'd like to see it specifically identified, if only something like a question: Is Tourette's included within, as you say, the general category of—

The Acting Chair: The auditor has a comment.

Mr Peters: Anne, you probably are making the same point. Page 24 of the report deals with this issue, admittedly in more general terms. That's probably what you wanted to say, Anne.

There was discussion, and towards the end of that paragraph, above "Integration," it says, "The ministry is working on updating definitions and reviewing their appropriate use." The whole section deals with defining exceptionalities and raises the point we pointed out, that they have not been updated since 1984.

Mr Callahan: Maybe that's a better place to put it.

Mr Peters: Yes. The choice of the committee is either to leave it as is and assume it will be included in that action, or to put a bracket in that says "such as" the particular—

Mr Callahan: I'd be content with that. That may be a better place to put it.

The Acting Chair: Anne has a comment, and then Mr Frankford.

Ms Anderson: My understanding of the definitions in the handbook when it was originally established was that they were based on the needs the children would have as opposed to the actual disability they had, that it would be based on whether you had a hearing need or a physical need. People who had a particular problem, say a physical problem—they were a double amputee or something of that nature—may not necessarily have a special need in other areas. The focus was on needs rather than on the actual disease itself.

Perhaps the suggestion of putting "such as Tourette's" as an example would work as opposed to listing it separately.

Mr Callahan: As long as it's identified in here.

Mr Robert Frankford (Scarborough East): I'm grateful to the auditor for pointing out the section on page 24, because I think that largely covers the generic question. I know Tourette's is relatively common. It would be quite interesting to know whether it's been the policy in assessment committees to define it as an exceptionality, whether they have already been using this list of exceptionalities and are able to fit this particular diagnostic category into it. I'm sure there must be other diagnostic categories where people would be making a

case for specific inclusion. It may be something we would want to make some recommendation about, but maybe the situation is actually covered by the approach that's discussed on page 24.

The Acting Chair: Ms Marland?

Mrs Cunningham: Cunningham, but that's all right.

The Acting Chair: I apologized at the outset about names.

Mrs Cunningham: Actually, that's a compliment, thank you. I've been wanting to use somebody else's name for a long time.

The Acting Chair: I'm going to go with what's in front of me. I should have known; I've run into you before.

Mrs Cunningham: I strongly agree with the comments of my colleague. In fact, when we looked at this before, I'm sure there were others who had the same concern. I wouldn't have expected—well, I don't know who would put that kind of recommendation together, because it is a political one. We had looked at the exceptionality list as part of the discussion on Bill 4 and had asked that the minister of the day look at it. I think that is worthy of further discussion. Some of us perhaps can go back to those deliberations in Bill 4.

Mr Chair, that's why I asked about the intent today, because I felt that there were enough issues in here—and now looking at it, there are enough issues—that we're going to have to spend some time on these recommendations to change them in some way, based on our own concerns on behalf of our constituencies and on those hearings, where we talked about hard-to-serve children and went far beyond that into some of the recommendations that are here today.

To my way of thinking, that really is the purpose of this report, to expand upon the auditor's report as a result not only of his audit but of some of the discussions under Bill 4 which really do relate to this. I think we've got a wonderful opportunity and I would strongly support some recommendations for change on the exceptionalities list, even if that's the only recommendation we make, that other categories be considered as per our discussions under Bill 4 and the original report of the auditor. So I'm agreeing.

I have a question too. It is under the special education pupils and the numbers. I was interested to see that this 8% number is what the researcher and the auditor found, because when Bill 80 was discussed, many of the public couldn't believe that exceptional pupils would account for this proportion of the education population; I think most school boards used 5%. If we include blind and deaf children, I'm sure that we're probably approaching maybe 9% or whatever. It's a very large number and I think it's very important to policy that we know that number. I'm happy to see that their researcher has concluded at least what we thought we would see during the deliberations of Bill 80.

Ms Anderson: So you don't want any changes to that.

Mrs Cunningham: No. I'm just happy to see those numbers. Because of the IPRCs and the special education

advisory committee's work, maybe the 1993-94 numbers are going to be larger because we're identifying, in my view, so many more students, and they say there are so many on IPRC waiting lists. But my real guess, and I hate to say this because it is just that, is that in reality parents are frustrated because their children aren't being considered when in fact they do have special education needs.

The 8% number for programming is probably low. I'm just saying that because I think the Provincial Auditor would be interested. It really means that we are probably going to have to provide more services or more efficient services, because if you really want education to be a success for many people, you deal with them early when they're very young and you put your resources into those first two or three years.

Ms Anderson: The 8% number is the number that the Provincial Auditor has found himself. I think some of the greater number you're referring to perhaps are the 170,000 to 180,000 students that the deputy had mentioned were already being accommodated without having gone through the IPRC process so that the number of students—

Mrs Cunningham: Waiting.

Ms Anderson: —having special needs that have got some kind of accommodation in the classroom is probably greater than 8%.

Mrs Cunningham: That's right. All you have to do is visit your local school board and ask them how many people are waiting and not being considered, or at least are not being included in the numbers. Especially in the early years, if we don't take care of these young people before, in my view, the end of grade 2 or 3, then we're going to put a lot more resources at the other end. It's our only hope, I think, in Ontario.

The Vice-Chair (Ms Dianne Poole): The auditor would like to make a comment, and then I believe Mr Crozier had some questions.

Mr Peters: I have just a very brief comment on the statements that were just made. The 8% number that we found is at the low end. It is, in certain regards, an estimate. The actual number may very well be higher. So I fully endorse the point that was made.

Mr Bruce Crozier (Essex South): This may have come out earlier, but following that 170,000 or 180,000 figure, where it says, "but have not been through the IPRC process," I just wondered why—is it a lack of resources, time, they just haven't been identified yet?—and whether it was worth putting into the report the reasons why they haven't been put through.

Ms Anderson: From my discussions with the ministry, it seems as though these are students who either had special needs that were felt to be sort of smaller than the ones that went through the IPRC process, that parents hadn't yet considered they needed special education, but that there were some sort of preliminary issues the teachers were dealing with, some sort of special needs they were dealing with, or in other cases, the auditor's office had found that there were some children who weren't going through the IPRC process because there

were some blockages along the line, and I don't know what percentage there is. I can talk to the ministry tomorrow if you'd like to have something on that.

1100

Mr Crozier: It was just a question whether the reasons should be put in there or identified.

The Vice-Chair: Certainly, when the select committee on education studied this about five years ago now, there was definitely a blockage in the system then, in many instances, and that was the reason a number of them were not going through, although there are definitely also others like Anne mentioned where they either weren't ready for the IPRC or the problems could be solved without an IPRC.

Ms Anderson: Would the committee like to have something put in to that effect?

Mr Crozier: I'm suggesting that, if there's no objection. That's all. It adds some identification to that statement.

Mr Callahan: Could I add something to that? We went through a great deal of discussion or linkage between this and Correctional Services. That number would be very much more inflated. As Mrs Cunningham said and as I've said for some time, if you don't identify and you don't have real figures, you're going to wind up paying for it at the other end of the pipe.

There was the whole question of funds available for education in the correctional system. I wonder if we can have some sort of a note in there, an appropriate note, that would refer to that as well, that these numbers could be unbelievably higher if identification were made of people who were admitted into the correctional system who have never been identified, never been assessed.

The Vice-Chair: Actually, Dr Frankford was next on the speaking list, but if you want to pursue that, I'll take Dr Frankford first and then go back, or did you just want to make that comment?

Mr Callahan: I just wanted to make that note. Maybe Anne can note it and give us the appropriate words.

Mr Frankford: I suppose one can sort of put a note of caution there about making the range of people ever expanding, that eventually one would say there's no exceptionality, that you just need a better system for everyone. I think we should be a bit cautious about sort of saying there's a clearly defined group or there isn't. Some of this must be around the bell curve, certainly around the giftedness. I'm not sure. This must depend on what way you choose to draw the bell curve or cut off the bell curve.

The Vice-Chair: Mr Callahan, did you want to continue?

Mr Callahan: No. I think Anne has got a note of it and maybe in our final report something in that regard will be alluded to, I would hope.

The Vice-Chair: Perhaps then if there are no other questions we could go on to the next page.

Ms Anderson: We discussed that section really on the overview of the number of special education pupils there are, and there's the table Mr Callahan had referred to of

the exceptionalities which has been taken from the ministry's handbook, the definition. Those are the categories of exceptionalities that are discussed.

Next, just part of the overview on page 4, is the funding. The auditor had found that school boards spent at least \$1.3 billion on special education in the year that ended September 30, 1992. That amount's shared by the ministry and by the school boards.

Just to put that amount in context, the total expenditures for elementary and secondary education in the 1991-92 fiscal year were \$13.6 billion, \$5.7 billion of which—that is about 42%—was paid by the ministry. Another part of the context, the \$1.3 billion is about 10% of the \$13.6 billion in the total expenditures on elementary and secondary education. Just to update it too, I've added the 1993 figures of \$14.3 billion and \$6.4 billion for the total expenditures and the ministry's share in there.

Mrs Cunningham: This is a comment and also a recommendation that I'd at least like to see, a recommendation on the numbers of exceptional pupils and give some direction in the report there. I think there needs to be a recommendation around the issue of the exceptionalities, but also—it may be later in the report, and I apologize, but I'm almost halfway through and I haven't seen it yet.

Under the funding, I feel strongly that there are some programs we're doing in education that are extremely costly that could be better done with the cooperation of another ministry or even under the auspices of another ministry. This would mean that the local taxpayers—the property tax base, being a question for all of us on the costs of education, could be reduced and that the government, whichever ministry, would be able to serve more young people if they were to operate the program somewhere else.

My example is what my colleague Mr Marchese and myself and maybe someone else is going to be speaking to on Mr Arnott's motion today. The whole issue of junior kindergarten, where we're looking at early childhood education, is something that could be done in a more efficient way, cost-wise, than the way we're doing it and certainly in a more successful way if you're looking at really intervening with children and families that need our help.

I say that because I don't think we can solve the problems with children alone. School boards at this point in time don't have the jurisdiction to move into the home to work with families. Teachers are not trained to do that nor do they feel, under the Education Act, that it is their responsibility. I think that in these days more than ever, although this has been stated for probably a decade or more, we should be looking at the Ministry of Community and Social Services' cooperation.

That's why, as we watch the implementation of the junior kindergarten program, where we're actually watching more and more students go to school every second day, all day, as opposed to the two or three hours, they're capable of gaining some support or education, whatever, confidence in putting their trust in other adults, which is part of the objectives of getting young children out of their home and into this kind of an environment

with their peers. Especially in the special education part, I feel we could be doing it in a much better way.

I don't know how we make that statement, but I certainly think a recommendation, not on a junior kindergarten program alone but even on some of the correctional programs that Mr Callaghan talked about where other ministries can be involved—it won't be new, but I think from a financial point of view, which is what this is all about, it has to seriously be considered. Under what jurisdiction can we best help special education students, with our focus certainly on the early years, and unfortunately where we haven't been able to have success in early intervention, with programs to deal with truants and young people who have behaviour problems and others, special needs students in the later years?

I think we could probably come up with a list, or some of us could put a list together, and say, "These are the areas that we feel need careful consideration." It's just a recommendation I think we should be making at the appropriate time during these discussions.

The Vice-Chair: Mrs Cunningham, we have Mr Crozier and Mr Johnson on the list. Perhaps while they're speaking you can take a look at the bottom of page 27, and going on to—

Mrs Cunningham: I think the auditor did remark on this earlier today.

The Vice-Chair: —a recommendation, item number 11 on page 28, which does address the point. You may want to comment a bit later on whether you'd like that beefed up or improved.

Mrs Cunningham: Madam Chairman, the reason I raised it now is it is under the funding part and I thought we could even maybe refer to that in the text of the report, that there are recommendations that will deal with improvements here, or something like that. Efficiency, I'm talking about.

1110

The Vice-Chair: Anne has a comment.

Ms Anderson: I just wanted to explain that in the first two or three pages I was just trying to set out the scene of what the special education situation was, and then the later part goes into it in more depth and comes in with the recommendations. We can make some reference to that in that overview, if you wish, and then expand it later.

Mrs Cunningham: Maybe as we go along, I'll just say, "Is this somewhere else?" and then you won't have to listen to my dissertations. I promise not to do that again. I'll just say, "Is it somewhere else?" Hopefully, I'll have it read by the time we get there.

Mr Crozier: Just a comment as to presentation under funding. In the last sentence, since we put in 42% a couple of sentences above, we might put in the percentage 45%—the ministry may like that—which indicates it has in fact increased its portion of the funding.

Mr Paul Johnson: I just wanted to respond to some of the things Ms Cunningham has said. Over the last about 20 years, I guess it would be, we've seen the needs of exceptional children and exceptional people addressed by three different ministries. Back in the early 1970s the

Ministry of Health managed much of what the Ministry of Education is managing today, and then there was a transition from the Ministry of Health to the Ministry of Community and Social Services, and then eventually there was a transition from the Ministry of Community and Social Services to the Ministry of Education. There's just a real desire to integrate within the educational system those people who require special education.

I understand we are dealing at this point with the funding aspect of this. However, if I heard Ms Cunningham correctly, and she may want to correct me, it sounds like you want to reverse some of the direction in which we've taken the needs of exceptional people and go back to where we were when the Ministry of Community and Social Services managed and looked after the needs, educational needs as well as some extent, of exceptional people with regard to their education.

I understand that we are speaking about funding here, and I know Ms Cunningham would certainly agree with me that however the province funds programs there would be ministries competing for dollars from the province. Certainly we would have the Ministry of Community and Social Services looking for more money. I have no doubt, to deal with the additional funding requirements to manage the education of the exceptional people it would be required to look after, and that would take it away from the Ministry of Education.

We like to think that throughout the province of Ontario our society is divided up equally so that every school board has the same number of exceptional people it has to educate and therefore gets its same percentage of dollars to do that. We know that in reality it just doesn't work that way, and it does create burdens on some of the smaller school boards around the province to deal with some of the exceptional education funding needs. I guess I can stop there, but I just wanted to respond to the comments you've made.

The Vice-Chair: Ms Cunningham, as you want to respond before we go on to Mr Martin?

Mrs Cunningham: Just quickly. We probably would both agree that you can't go back, but you can re-examine what you're doing to see if you can do it more efficiently. You can take the strengths of all three areas—you mentioned three ministries—and you can talk about the frustrations.

One of the considerations in the last probably 10 years and recommendations we've looked at from major reports is that there be a single ministry of the child. I'm not saying I would agree with that but I think we should be going back to Laurier LaPierre's report, and taking a look at why he made that recommendation.

I am saying that we've gone too far in thinking we can solve these problems in junior kindergarten classes or I might add, kindergarten classes. Children who are in school for two and a half days with no liaison or very little liaison, because we don't have the jurisdiction under the Education Act—that's not being helpful.

There are other programs in other jurisdictions that I think we should be looking at seriously to implement, that I would recommend tomorrow, where Ministry of

Community and Social Services dollars are involved. These are in parenting programs in cooperation with child care.

The reason I think Education has really taken over is because it's a very powerful ministry, in my view. People in education and in the education bureaucracy are extremely articulate and confident. If you were to ask people in health care what they ought to do, they're not as sure of what they ought to do because it's never really been their domain. The public health departments have usually pointed out problems and asked school boards and other ministries to deal with the programs. But they've become very much stronger in the last decade in their own programs and we should be working with them where they show success. They've had tremendous success.

All I'm saying, Paul, is I don't want to go back, but I think we should examine the best programs. We may find that all three ministries have to be involved. But I can tell you right now that we're moving far too quickly, putting young people on buses for two hours a day when they're three years old to go and come from school, and it's just not working. Those children should be in their own communities in programs maybe where there aren't schools.

I think this committee has been particularly non-partisan in its nature, and that's why I'm happy it's here.

The Vice-Chair: Just before Mr Martin finally gets to make his long-awaited comments, the auditor has asked for an opportunity.

Mr Peters: Thank you, Mr Martin. Just a very quick comment on the numbers. These numbers in the funding are influenced by that half-a-billion-dollar deferment of the payments to the pension fund that I've commented on in my audit opinion, so I'm not quite sure whether it's safe to put the percentage into that. I'm not sure how they were reflected, and that would make quite a difference. The half a billion did all refer to this ministry, because it was the pension contribution to the teachers' pension fund.

Mr Tony Martin (Sault Ste Marie): I don't think I'm long-winded, Madam Chair. I don't speak much, actually.

Mr Tilson: You decided long-winded. She said long-awaited.

Mrs Cunningham: I'm long-winded.

The Vice-Chair: I said "long-awaited," because Mr Martin was actually on the list before Mrs Cunningham and before the auditor.

Mr Martin: I try to get to the point.

I appreciate the comments of Ms Cunningham, and I want to confirm some of what Mr Johnson has said. Being in the ministry now for almost four years, nothing is ever as simple as we'd like to make it: It always seems, when you get into it, much more complicated.

One thing I wanted to say is that regardless of how you cut the cake here, if you're going to resolve this one you're going to have to spend money. Whether it's coming through Comsoc or Health or Education, it's going to have to go out there. If you're going to respond

to what the community is telling us the needs are, and we certainly are trying to do that, you have to spend the money. Whether it comes through property tax or income tax, it's the same taxpayer. It's one person digging into his pocket and paying. Where it comes from, after a while becomes semantics, as far as I'm concerned.

We need to change the system. It needs to be more effective. We need to be working more cooperatively with communities. There certainly need to be more interministerial things happening and all of that, but I think we fool ourselves if we think that in the end, by doing all of this we're going to get away with spending less money on this issue, particularly if, as has been suggested here this morning, we're going to define and redefine and put new groups on and add to this whole question in the way I've heard. Pretty soon everybody will have their own special ed class and their own professional attached and the cost would be astronomical.

Over the years, there's been a move away from a community dealing with the people who live within it in ways it has the ability to do and to think that some professional can come in and resolve it. We have people in the mental health area who move into areas of difficulty and move out of them, and with support and help in various ways and levels, that can happen.

1120

What we're trying to do as a ministry and as a government is be cooperative, allow for those supportive areas to come forward and be part of the equation and do it in a way that recognizes that we don't have unlimited funds, that we have a problem at the moment in this province which sees us with a deficit and debt that the people out there are saying is problematic. In trying to balance those things, the question then is, how do we do this in an effective and progressive and proactive way?

I don't have any answers either. I know it's something we need to grapple with, but I think we need to be careful that we don't get into very simplistic solutions of adding another category or getting the money out of some other pocket or working cooperatively ministerially if there is no plan. I just put those comments on the record.

Mr Peters: Mr Martin, the 1993 auditor's report also contains a comment on the child welfare programs. You'll notice that Comsoc, for example, spends about \$850 million on it, and that ministry at the moment has put out a brand-new policy framework on dealing with that issue. I think the recommendation—why we are particularly endorsing it—is of cooperating. There may be a link between how to provide children's services in this province by Comsoc with the way children with special needs are dealt with in the education program which may not actually require additional funds, just a better way of cooperating in the process.

Mr Martin: All I'm saying is that that's not as simple as it sounds.

Mr Peters: Absolutely.

Mr Tilson: Not only what the auditor has just indicated, but there's also the issue of cost. I quite agree that nothing is as simple as it sounds, but the fact is that the delivery of the service may be more expensive under the

education system as opposed to under the Comsoc system, that a particular service that involves the child could be handled as well, if not better than, the education system. Obviously, the salaries alone under Comsoc are much less than those under the education system.

More important, I suppose the service that's delivered under the education system is directed more to the property tax system. You say it's the same taxpayer. It really isn't the same taxpayer. Not all people across the province pay property taxes, and in different ways they pay property taxes, depending on the type of place they live in.

I guess one looks at (1) the cost of the service that can be delivered and (2) it may be a provincial issue in the same way that—whether we're talking the subject of junior kindergarten, which by coincidence happens to be going on as we speak in the House, or whether we're talking about correctional services, these may be provincial matters. The service may be less expensive and perhaps even better provided by those agencies as opposed to the education agencies.

I give the example that teachers aren't trained to do everything. Just to repeat what Mrs Cunningham has indicated, they're not trained to go into the home, nor should they be, and there may be other agencies that should be involved in the delivery of the service and in the cost of that service.

Mr Martin: Just to respond, I understand all that. Yes, the cost of delivering through Comsoc may be in some instances less expensive, but when you get into this area of special ed and mental health difficulties, the cost of professionals is quite exorbitant. Maybe I shouldn't say it in quite that way, but it is expensive. Whichever way you do it, if you want the professional who is going to do the job, you're going to have to pay for it. There is an expense there, and that's why I say it isn't as simple as it sometimes appears, once you get into it. There are some costs.

I agree with you: There is a difference in taxing through the property tax system versus income tax. I would like to see us move more to an income-tax-based delivery of services, because as the Fair Tax Commission reported, the property tax system is not a fair one. There's no consistency; there's no rhyme or reason to it in many significant ways. So we need to do that.

I guess all this just goes to say that, as I think you are saying yourself, Ms Cunningham, we need to look at this and find other ways. But let's be realistic in terms of what it will cost us, and the fact that it will cost us if we get into the area of providing the professionals we need in Comsoc as well. They're very expensive.

Mr Marchese: I had just stepped out for a moment and missed the question, so now I understand that the question is whether Comsoc should be running some of these services versus the educational system.

My personal preference has always been that the educational system run these programs, for a variety of reasons. I think the costs are probably very similar. I suppose an audit could be done to see which of these two, if it were to be run by any one of them, would cost

less or more. My suspicion is that it would probably be more or less the same.

Even if I were wrong, however, I lean very heavily towards a learning model as opposed to a pathological model. Part of my concern in some boards of education is that we have overburdened our system with a lot of social workers and a lot of psychologists and plenty of psychiatrists, to the extent that we have overpathologized learning. I think good teachers have managed to get students who have been in special education out of it, whereas in many other programs in fact we have not been very successful, so they linger and are trapped in special education programs for a long, long time. This is not to take away from the concerns of parents who say, "No, but my child is different and needs that special attention."

In all my learning as a teacher and as someone who's been in the system for a long, long time as a trustee and in research I've done, the label that we attach to these learning problems, the fact that we put them in these special education programs, creates in itself a major, major problem to deal with. Whether it were in Comsoc or Education, I don't think we'd solve some of these problems, although I think the focus has to continue to be on what we, as teachers, can do to get these young people out of these special-ed programs as fast as we can. But I lean towards a learning model and therefore an educational system as opposed to a Comsoc-delivered system.

Mr Martin: There are some examples of some schools in the education system where there has been some creative adjustment to the schedules that allows for teachers to go out of the school and into the homes to find out what's going on there so that there is that kind of connection and interaction. However, I think perhaps in some ways the social worker might be the most appropriate professional to be doing that, and perhaps we need to be finding ways to allow that to happen.

The Vice-Chair: Anne has a comment on how she thinks we can resolve this particular discussion.

Ms Anderson: It's not really resolving the problem but is on how to put it in the report. There's a subsequent section which is called "Ensuring a Cost-Effective Service." Perhaps I could add a subsection of that which talks about looking at collaboration with other ministries in some way to see whether that would help improve the cost-effectiveness of the total delivery of education. Then the committee can look at that and see whether it wants to come up with a recommendation out of it.

Mr Tilson: I never try to anticipate what Ms Cunningham is trying to say, but—

The Vice-Chair: But you're going to.

Mr Tilson: I guess you're probably referring to page 28, are you?

The Vice-Chair: No, page 6.

Ms Anderson: Page 6 starts off a major heading called "Ensuring a Cost-Effective Service," and it goes into issues that the Provincial Auditor had looked at in terms of compliance and financial transparency and the different audit arrangements. They talk largely of funding, indirectly anyhow, and perhaps there would be room

for an additional section within this major heading of having people, whether it's the ministry or whoever the committee decides, look at the question of greater collaboration. It does come up on page 28 but it was more in relation to some of the supports.

1130

Mr Tilson: I agree, teacher training and support. You're quite right: That is under teacher training and support. I believe that we're all—well, we may not be saying the same thing as Mr Marchese, but certainly Mr Martin seems to be saying the same thing: "Accept it's a complicated issue." I don't think it would hurt, as a recommendation, to look at this issue, notwithstanding what Mr Marchese has just said, because I think he's saying, "No, don't look at it."

Mr Marchese: I wouldn't. But I don't advocate your looking at it.

Mr Tilson: I think the report should indicate that we should at least consider these issues, that these issues should be considered by several ministries.

Mr Peters: It is actually under that. On the very page you're at, item 11.

Mr Tilson: Except that that deals strictly with teacher training and support. I suppose you can relate that to funding.

Mr Peters: A fair point, yes.

Mr Tilson: But you're right. If item 11 on page 28 dealt with the whole concept, then I would hope that item 11 should be made a little stronger.

The Vice-Chair: So is the committee agreed that Anne will put in a special section under page 6, "Ensuring a Cost-Effective Service," and we could take a second look at that and decide if we want to strengthen it or make a recommendation on it? Okay?

I think that's everybody who's indicated an interest in speaking, so we'll go on to the bottom of page 4, "Provincial Auditor's Review."

Ms Anderson: My intention in this next section was to lay out the Provincial Auditor's concerns and what he had done. The objectives in undertaking the value-for-money audit were "to assess whether there were satisfactory procedures in place to determine compliance with special education legislation, regulation and policies and to measure and report on the effectiveness of the special education programs."

This formed the structure of the Provincial Auditor's review.

"The audit included visits to five regional offices, eight school boards and 15 schools as well as interviews" with various groups, "education researchers, school board administrators, teachers and advocacy groups" etc.

The Provincial Auditor found that, while the legislated responsibilities were relatively clear, the ministry did not have procedures in place that would enable it to ensure that those special education children, the exceptional children, had special education programs. Particularly, they noted that:

"Ministry procedures are not adequate to ensure that school boards comply with various legislated, regulatory

or policy requirements; and

"Procedures to evaluate the variety of special education programs and services offered by school boards were not adequate to determine whether these programs and services were the most appropriate and cost-effective in meeting the needs of all exceptional students."

That really was a brief summary of the Provincial Auditor's objectives and in one sentence what he found.

The Vice-Chair: Just before we go to Mr Martin, I have a very minor technical point. The first sentence, where it says, "The objectives of the Provincial Auditor," goes on in the quote, which isn't attributed to anywhere, to say, "Specifically we assessed." Could we just change it to, "The objectives stated by the Provincial Auditor," with a semi-colon? It just clarifies that it's the Provincial Auditor stating this and the "we" refers to the Provincial Auditor, not the committee.

Mr Martin: I just wanted to ask the auditor, in doing this and in this piece, if he looked at the whole area of what responsibility school boards had to make sure that some of what was seen by the ministry as necessary and most appropriate in a given circumstance re the question of special ed—what responsibility they have as elected officials representing the community with a mandate to govern, and the Education Act clearly stating that there are some areas of jurisdiction that they have control over and that they should be working with them, and given that the ministry counts very much on the responsibility and accountability and professional ethic of a school board to do what's in the best interests of the students who come into its purview.

I know here you said that the ministry didn't have procedures adequate to ensure. What about school boards and their responsibility, working with their own SEACs and responding to the needs of their area and involving the resources that are present in their area to actually do this job? Did you give any thought or consideration to that, and what was your sense of what's happening out there?

Mr Peters: I'm just making an outline. Firstly, we have discussed at great length that our role of auditing school boards is a very limited one. It was only to the extent that they let us in the door. We are not the auditors of the school boards, so the discharge of their responsibility was available to us only on the basis that school boards actually opened their doors to us and let us look as to what they were doing. But yes, we did think about it and we did, where we could get into school boards, review and interview people on this basis to follow up on the questions that you have just raised. In doing so we would not, though, consider that as a full audit, because we did not have full audit rights. But I'll let Gary follow up.

Mr Gary Peall: I guess the short answer is also that because the ministry doesn't have a lot of procedures in place, the regional office rule wasn't particularly strong in this area. They themselves didn't really know the strength of the board's procedures and that's one of the objectives they should have: finding out what system the boards do have in place to make sure they adhere to the ministry's policy requirements.

We did find variances in the practices in the school boards we visited, so it really is all over the map in terms of how regimented they are in reviewing the programs that they have and monitoring the degree to which they comply with ministry requirements.

Mr Marchese: The question I think he's asking is, to what degree are trustees accountable as elected officials for this? Was that the question?

Mr Martin: That's part of it, yes. What you're saying, though, is interesting too.

Mr Peall: The act makes the boards accountable for the delivery of special education programs and services, so they're allowed to design programs that meet local needs, subject to the framework of policy that the ministry has put in place. So yes, they do have a responsibility to do that and some trustees sit on SEACs and that's maybe their main point of interaction with the special education programs and services. But there is quite a variance in how boards respond to that and the kinds of information that a board would be provided with. I think we found a general weakness in the kinds of information about what programs work and which ones don't, so that kind of information generally isn't available to school boards.

Mr Marchese: Just as a clarification, the question is, are trustees accountable where boards are not accountable? We have specific provincial policy or guidelines. To what extent are trustees held accountable for that?

Mr Peters: I can just speak, and Gary, you will want to get into the detail. In our audit itself, to the first question, yes, we are aware of their responsibility, but the performance was very sporadic and we did not find that the accountability mechanisms in place were adequate. They are poor. I think I would rate them as poor.

Mr Martin: The point I'm trying to make here is that it's very difficult for a ministry to make sure that everything that it wants done gets done, working through various layers, particularly if one piece of that is an elected body that is responsible to the people. We may come up with the best of legislation and policy and procedure. If somehow that's not working its way down the system and arriving on the street in terms of service, then the question I have is value for money and who's responsible for making sure that—is it really us or is there somebody else out there who's getting in the way of this really happening? We're spending \$13.6 billion a year, 10% of that on special ed.

1140

Mr Peters: To answer your question very specifically, we have two reports in the report. Two sections in our report dealt with the issue of curriculum development and special ed. If we really have to summarize what we found in terms of getting value for money, in terms of performance, in terms of the existing accountability framework, in the curriculum development we found that delivery of the objectives that are set out in the Education Act was difficult, and in special ed it was beyond difficult. We had the feeling, from our report, that the system wasn't delivering, and the accountability framework is not a good one.

Mr Callahan: On a point of order, Madam Chair: I'm not sure, Mr Martin, are you the parliamentary assistant to the Minister of Education and Training?

Mr Martin: Yes, I am.

Mr Callahan: The point of order I'm making—and I don't say this in a pejorative fashion, Mr Martin—is that the Ministry of Education and Training officials were already here. We're dealing with what we put together from those hearings and there really is not a second chance, I suppose, to question or to explain the position. What we want to do is we want to get the report out. I think we're getting bogged down in the question of—and I can understand your position as parliamentary assistant.

Mr Marchese: He was raising a good point, though.

Mr Callahan: I appreciate that.

Mr Martin: I am also the member for Sault Ste Marie.

Mr Callahan: Yes, I appreciate that, but the point of order is that we're not moving on with the report. I thought the purpose of this was to go through the report with Anne and determine whether or not the facts that she has put together and the recommendations are those that we remember as being the case and that the recommendations are acceptable. If we don't do that, we'll be doing special education when a lot of these kids who are subject to special education are collecting their pensions.

The Vice-Chair: While I appreciate your point, Mr Callahan, quite often what happens is that we have people substitute in while we're holding the hearings when the Legislature is not in session and we have different members present, so sometimes we have to go over things from a different viewpoint.

Mr Callahan: I appreciate that.

The Vice-Chair: Secondly, I don't think we are necessarily limited to only discussing what was in the hearings. There may be things that, as we discuss them today as a committee, which is one of the few opportunities we've really had to look at this and discuss it, there may be other items that come up.

I've always found when we discuss these reports, in the first half-dozen pages we spend a large amount of time and then it speeds up because a lot of the questions get answered early on that may refer to other parts of the report.

Mr Callahan: I appreciate that, Madam Chair, but what I'm saying is that—and I'm not suggesting Mr Martin is subbed in here to once again question what we've already determined—we've heard from the ministry officials. This is what our report is supposed to be, a report of what we got from the ministry officials, and in addition to it, what the auditor has said about the weaknesses and the strengths.

What I gather from Mr Martin's discussion, and I certainly am not being critical, I'm just saying that what we're doing is getting a second look at it. Maybe as we go through the report, if he disagrees with what Anne is saying, as a result of what we've heard from the ministry officials and what the recommendations are, that's fine. But I get the feeling that there's an apologetic coming

through here, which I find is not useful to us getting our report. I say that with all due respect, Mr Martin. I'm not trying to be critical. That's the feeling I'm getting.

The Vice-Chair: I'm trying to give a fair amount of leeway because Mr Martin's comments were pertinent to the subject of special education and other members have taken considerable—

Mr Callahan: Including myself.

The Vice-Chair: —whatever word I wanted to use there. Mr Marchese.

Mr Marchese: I just wanted to agree with you fully and to disagree with Mr Callahan.

Mr Callahan: Surprise.

Mr Marchese: The point is that Mr Martin raises a good point of accountability. This whole report is based on whether the system is accountable. He raises the additional question, "Who is? Would the trustees be accountable?" as an extension of this argument. They're not the persons, obviously, to answer this particular question, but it's certainly a good one, so it would enhance the report, given that we're talking about an accountability mechanism. It's not an apology, it's not a diversion, I think it's a useful addition to the discussion.

Mr Martin: In fact, if I might just clarify the point—

Mr Callahan: I didn't mean to sidetrack you.

The Vice-Chair: But you did.

Mr Callahan: I'll withdraw it.

The Vice-Chair: Okay, he's withdrawn, but would you like to make the comment?

Mr Martin: No, that's okay then. We'll just leave it at that. I just think that if the auditor's work, and he does good work, is going to be helpful to us as a government, we need to ask these kinds of questions and we need to be able to determine at what point intervention needs to happen, if in fact that's what needs to happen, in order to make it better. I'm just exploring that in light of what you're doing here. That was why I asked the question.

Mr Callahan: I surrender.

The Vice-Chair: Mr Tilson is next. I had Mr Callahan, but I assume that was covered by your point of order? Okay.

Mr Tilson: I think the issue is a valid issue to raise at this point. I can tell you that it was actually an issue I wanted to raise at Mr Callahan's motion, which we passed, which dealt generally with education, in that one looks at whether or not value-for-money audits, whether it be an accountability of trustees or accountability of whoever, how meaningless that may be. I was a trustee on a small board and I know we have trustees of two large boards and you were a trustee. We've got lots of trustees around, but they're ex-trustees.

Mrs Cunningham: We know what power we didn't have.

Mr Tilson: We know where the power is. I was a trustee just when special ed was coming into the fray, which was in the 1970s.

Mr Paul Johnson: That explains all the problems in the system.

Mr Tilson: I do remember this topic of accountability which you raised—whether it be with trustees or whoever, it gets to a question which I would have preferred to ask at Mr Callahan's motion—is just that. I will be looking forward to seeing how the Provincial Auditor or any other auditor is going to have value-for-money audits of teachers, whether they be special ed or anyone else who's delivering the service. There are different models, as I understand, and Mrs Cunningham could speak on that far better than I, that have been suggested.

Certainly as a trustee, I can well remember sitting there. If you wanted to question that process of evaluation of a service, then you'd better be prepared to take on the unions. If you weren't prepared to take on the unions, then I can tell you that the whole evaluation process is not even there; it's meaningless.

I don't know whether the auditor has put his mind to that, because I really look forward to someone coming forward and talking about the evaluation of the delivery of a service, which is what we're on here—actually, we won't be on it, I don't think, until page 6, but it's sort of introduced on this page—on that topic, because that's what it's all about.

I know that's a political issue. I know what I'm saying is political and partisan but I can tell you, as a trustee I remember sitting there, "If we want to change this system, we're going to have to take on the unions." That's all I have to say.

Mr Martin: I think what Mr Tilson has pointed to here, in my mind, is that we have various levels of responsibility and accountability and pressure points in terms of where decisions are made and where the buck stops. There are certainly the teachers and their organization, the trustees and their mandate, and then we get up to the Ministry of Education.

If we're going to find a way to deliver programs effectively and in a way that's going to be helpful to students in the end, I think you're right: We need to be discussing the whole ball of wax. To leave it simply at the door of the ministry—and I'm not being apologetic here; I'm speaking as the member for Sault Ste Marie who deals with this on a local level—then we miss the point and we don't deal with the whole issue. There are other pressure points too: There are parent groups, there's the SEAC itself, there are other—

The Vice-Chair: The auditor wanted to comment before we move on.

Mr Peters: That is a key element in our report, and one of the things is that we had a very positive response from the ministry, both directly to our report as well as when it appeared before us, as to wanting to deal with the issue at all levels.

The other point is, in conducting value-for-money audits, in conducting these audits particularly, we interviewed—I forget the exact number, but it was a vast number of teachers, principals and others, and they had, as professionals of course, their own ideas, and they were very useful. If we set the audit criteria as to how the service is better done, there are a lot of professionals in the system who are quite willing to move in the right

direction at all levels and all organizations.

I think something can be done, and the unity that this committee particularly showed on this issue is probably one of the most outstanding examples I can think of, on this particular issue of education, bringing virtually everybody on side in the process, and maybe that can be followed through through this report.

Mr Martin: I guess it's with that in mind—I don't see in here myself in this particular portion, and it may be further on. I apologize. I'm not on this committee so I didn't spend a whole lot of time with this. Maybe I should have out of my role as parliamentary assistant and my interest. But there's no reference in this, in my mind, to that question of the larger picture and the other bodies that are responsible and who want to participate. Is it further on?

Mr Peters: I thought it was. It was at the outset, but maybe not as emphatic as you would like to see it.

The Vice-Chair: Perhaps that's something we can revisit at the end of the report, and if at that time you feel that it isn't emphasized as much as you would like, we can return to it.

Mr Marchese: I think Mr Peters raised some interesting points. I have been part of this committee once, actually, when it was being dealt with, and part of the concern I had was how the auditor does one's audit, using what kind of knowledge. You have the knowledge of finances in terms of whether or not dollars are spent in a particular direction, but how do you actually evaluate

its effectiveness in terms of a learning model? You then have to presumably resort to the ones who have the knowledge, which is what you said you would do.

Mr Peters: Yes, which we have done.

Mr Marchese: So I think it would be useful, in the body of this report somewhere—and maybe at the next committee some of us can reflect as to where, or the researcher—to find a way to include those remarks into the report.

Mr Peters: I have to make, if I may, another point. There is a separate report on curriculum development, which also deals with this issue. I think that is forthcoming, I guess, and will be discussed by this committee. The committee may consider, for example, such a solution as dealing with this as a preface to both of those reports, because both curriculum development and special ed are totally affected by the quality of the accountability framework that is in existence.

To answer your specific question, yes, we are quite aware that we are accountants by training and auditors by training, but particularly in this particular examination, I would think that I wouldn't be overstating the case that we had interviews with about 700 professionals, something like that, to come up with these two reports.

The Acting Chair: Might I suggest—it's a couple of minutes before 12—we adjourn this till next week?

Mr Marchese: I move adjournment.

The Acting Chair: We're adjourned.

The committee adjourned at 1155.

ERRATUM

No.	Page	Column	Line	Should read:
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***O'Connor, Larry** (Durham-York ND)

Owens, Stephen (Scarborough Centre ND)

Perruzza, Anthony (Downsview ND)

***Tilson, David** (Dufferin-Peel PC)

**In attendance / présents*

Substitutions present / Membres remplaçants présents:

Johnson, Paul R. (Prince Edward-Lennox-South Hastings/ Prince Edward-Lennox-Hastings-Sud ND)
for Mr Perruzza

Martin, Tony (Sault Ste Marie ND) for Mr Owens

Sorbara, Gregory S. (York Centre L) for Mr Cordiano

Also taking part / Autres participants et participantes:

Cunningham, Dianne (London North/-Nord PC)

Martin, Tony, parliamentary assistant to Minister of Education and Training

Office of the Provincial Auditor:

Peters, Erik, Provincial Auditor

Peall, Gary R., director, ministry and agency audit branchess

Clerk / Greffier: Decker, Todd

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Thursday 14 April 1994

Journal des débats (Hansard)

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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 14 April 1994

Jeudi 14 avril 1994

The committee met at 1010 in committee room 2.

SCHOOL BOARD VALUE-FOR-MONEY AUDITS

The Acting Chair (Mr Bruce Crozier): I know the members won't be any more sympathetic than normal, but this is the first committee I've chaired, so if I mess up, take that into consideration. I'll also apologize for names because I haven't yet learned everybody's name.

We're going to pick up where we left off last week and that was the discussion of Mr Callahan's motion. We have Paul here this morning to answer any questions.

Mr Robert V. Callahan (Brampton South): I've just spoken with the auditor and I think this motion could be made a little better. I'm going to ask him if he would guide us through the changes that he suggested to the motion.

Mr Erik Peters: The motion as it is before you has two parts. The first paragraph deals essentially with establishing the principle and the second one gets a little bit into how the minister should apply this particular principle.

Starting with that premise, I was wondering if you might not want to expand a little bit the statement of principle and put the how-to-implement section into a preamble, let's say, "In debating this motion, the committee considered the following options," and go into the details, because the rest would get the minister into whether or not he can apply section 234 of his act or other things. There may be other things that may be available to them to achieve the purpose which the committee has in mind.

The specific suggestion that follows out of that would be to broaden the first paragraph by adding at the end of the second line, after the words "school boards," the words "be subject to."

Mr Callahan: Is everybody with us?

Mr Rosario Marchese (Fort York): Mr Peters, if you wouldn't mind repeating that last part.

Mr Peters: In the first paragraph of the motion, after the words "school boards," insert the words "be subject to" and remove the word "conduct" and then make a full stop after the word "audits" and take out "relating to the expenditure of funds transferred from the province" and add a new sentence, which would go, "In doing so, the minister may wish to avail himself of section 17 of the Audit Act." Then I would recommend the removal of the second paragraph. Can I just read the whole thing?

It would read—especially, Mr Callahan, if you're in agreement; it's your motion—"That the committee

recommends that the Minister of Education and Training implement the necessary steps to require that school boards be subject to value-for-money audits. In doing so, the minister may wish to avail himself of section 17 of the Audit Act."

Just a reminder, section 17 itself essentially says that a minister of the crown, the public accounts committee or the Legislative Assembly as a whole may wish to instruct the auditor to conduct certain audits. It then has a second provision in there under which I can accept these assignments based on the availability of resources to my office, whether I have the resources to do so.

To just follow up a little bit, we were discussing at length the matter of inspection audits, and under the Audit Act there are two kinds of audit, two levels of duties that I have. There is a lot of "shall"—the Provincial Auditor shall do this and shall do that—most of which result in the report outlined in section 12, but the inspection audits are introduced with the word "may." So we're dealing here with the inspection audits, which have certain optional features in them. The biggest optional feature is really that they shall not prevent me from carrying out my other duties, so that's why the "subject to resource availability" is in there.

This amendment would, therefore, open it quite wide for the minister. The instruction is to make school boards subject to value-for-money audits, but how he actually goes about it, which auditors he appoints to do so, whether it's private sector auditors, his own internal auditors or through section 17 the Provincial Auditor, would be at the option of the minister, and it would be given a wider range of discretion as to how to install it. But the committee has established the principle that school boards are subject to value-for-money audits. With that I cede the floor.

Mr Callahan: I thank the auditor for that, but my recollection was that at the last committee meeting we had referred this to the subcommittee to make appropriate changes, particularly in light of what we had been told by Anne last meeting about section 234. So the auditor has done it for us. He has suggested a recital. Maybe that's something we're going to have to do ourselves, unless, Erik, you've got a suggestion.

Mr Peters: The suggestion would be, actually, to build on the second paragraph in terms of stating that, in discussing this motion, the committee considered that the minister may want to avail himself of powers given to him under the Education Act to ensure that audits of a value-for-money nature are conducted and that there is a report on such audits to him, or that the minister may

wish to consider making grants to school boards conditional on boards agreeing to have value-for-money audits conducted. That would sort of capture the spirit, I think, of your two points and put that as a suggestion to the minister.

Mr Callahan: So really what you're saying is that the substance of paragraph 2 should be incorporated into a recital just to simply let him know what we considered. Is that amendment agreed by all members?

Mr Larry O'Connor (Durham-York): Could we have some legal thoughts on this, whether you think this may alleviate some problems, or do you see any problems in that?

Mr Paul Murray: I don't know that it really raises any legal issues. Certainly the changes to the first paragraph that the auditor suggests don't raise any problems.

Mr David Tilson (Dufferin-Peel): What does section 17 say?

Mr Murray: When I gave the opinion a couple of weeks ago, I gave the opinion in the context of this committee's power to direct the auditor to conduct value-for-money audits. It's a special assignment section. It's the section under which this committee directs special assignments. That section also refers to ministers and to the Legislative Assembly, so whatever powers this committee has to direct special assignments, the minister would have.

The problems that may arise in section 17 are all the problems that I raised a couple of weeks ago in the context of the committee trying to direct value-for-money audits, and that was, it's not entirely clear, although it was my opinion the committee would have the authority to direct the auditor to do a value-for-money audit of school boards.

Similarly, the minister would have that authority, but it's quite likely that there might be legal arguments against that position, whereas the other options didn't get into the problems raised by section 17 and that's why those were also raised at the time.

1020

Those are the only things to keep in mind with this approach, but the way the Provincial Auditor suggested changing the motion is still making it general in the sense that it's still recommending to the minister that the minister take the necessary steps to require value-for-money audits. The minister could take whatever steps are available to them, including the ones we mentioned in the second paragraph, and then just add to that, in doing so, the minister may use section 17, but it wouldn't be limited to section 17.

Mr Marchese: I just wanted to support the general direction of what Mr Peters has recommended. I was originally concerned about requiring board auditors to conduct audits because that would obviously be a great expense to the boards. Doing this gives the minister the authority under that act to be able to conduct these audits, which I think we're all in agreement with, and therefore keeping the cost at the provincial level as opposed to the board level. But I think we not only state the principle of wanting to do this but also are instructing or directing the

minister to choose the option that gets us to that audit, and I think that's what we all want. So I support your direction.

Mr Callahan: If there's no further discussion on it, then perhaps we can vote on it. I don't want to belabour the point. We've all been through this.

Mr O'Connor: The only other question I might have would be the gender language in there.

Mr Callahan: Yes, his or her.

Mr Peters: We drafted in a hurry. I apologize.

Mr Callahan: But other than that, we've been through this for a long time. Actually, this will spur on the general amendments to the Audit Act which will make unnecessary the passing of specific motions to deal with it.

Mr Peters: Mr Chair, may I make a brief comment just to put you on notice that I would very much like to present to you in the course of this meeting a letter in which I am proposing that the committee consider potentially amending the definition of "inspection audits" under the Audit Act so that these inspection audits could include value-for-money audits. I just want to put you on notice, following up on the comment you just made.

If that's acceptable to the committee later on—that's for later discussion—but because the point has been raised as to whether or not the power for the minister is there to instruct me to do value-for-money audits or this committee to do value-for-money audits, I have a second step in mind after this happens that the committee may wish to debate after.

Mr Tilson: Mr Chair, I wonder if it would be appropriate to do that now. I know it's with respect to inspection audits generally, but maybe we should hear what you have to say before we vote on this motion, because that's what this motion is all about, only it deals specifically with school boards.

Mr Peters: The motion would of course come from this committee. My proposal is merely to outline some of the issues that we are phrasing and making a suggestion that you might want to build in.

The Acting Chair: Would it change the intent of this motion at all?

Mr Peters: No. It would further the execution of the motion.

The Acting Chair: I'd suggest, though, that if it wouldn't change the intent of it, this motion should stand on its own, if that's what Mr Callahan wants. It's his motion.

Mr Tilson: Quite frankly, the reason I raised that initially was that, are we in fact putting forward a meaningless resolution? I mean, I support it. I don't want the member to misunderstand that.

Mr Callahan: I'm offended.

Mr Tilson: But are we putting forward a meaningless resolution? I don't know. I'm assuming we may be.

The Acting Chair: I'm still concerned that if it does change the intent of this motion, his motion should stand on its own.

Mr Peters: May I just give Mr Tilson the assurance, though, that it does not make this a meaningless motion.

Mr O'Connor: Mr Chair, on a point of order: I appreciate what the auditor has brought forward for us for discussion, but it's something we haven't discussed at the subcommittee meeting and I think it would be more appropriate that the subcommittee have an opportunity to discuss whether or not we're ready to move forward in that sort of direction. I would like to defer that area of discussion to the subcommittee, as most areas usually do go through that process.

The Acting Chair: If you'll allow what I'm trying to do, that isn't even on the table yet, so you can discuss it then.

Mr Callahan: Move the motion.

The Acting Chair: All those in favour? Carried.

Mr Callahan: Mr Chair, with reference to Mr O'Connor's motion, this issue has been discussed ad nauseam. It's been in about three reports of the public accounts committees over the years. We had correspondence from the Minister of Finance that the matter was before them, that they were considering it and that it was going to be brought forward.

I know Mr O'Connor may have raised that point of order so we could get on with the first point, which we've dealt with now. I think it's a matter that we should again pass and send on to the minister, not to be pejorative or to be nasty to him. I think in the course of events other events have overtaken this and the response we got from the Minister of Finance was genuine, that he wanted to expand the authority of the auditor. Maybe just another motion to him to remind him that this has been going on for quite some time might be appropriate.

NON-PROFIT HOUSING

The Acting Chair: We'll deal with item 2. Do you have a notice of motion, Mr Callahan?

Mr Callahan: Yes. I'll give it again:

Whereas the Ontario Non-Profit Housing Association prepared and distributed a document entitled Ontario Needs Non-Profit Housing; and

Whereas the Minister of Housing referred to such publication for the purpose of "setting the record straight," by letter of January 28, 1994; and

Whereas some 2,000 copies of this document were distributed; and

Whereas such document contains several incorrect and misleading statements attributed to the Provincial Auditor;

I move that the standing committee on public accounts require from the Minister of Housing a public apology for disseminating a document which inaccurately reflected findings of the Provincial Auditor on the issue of non-profit housing in his 1992-93 annual report;

Or, in the alternative, that the Minister of Housing distribute a letter correcting the inaccuracies contained in the document Ontario Needs Non-Profit Housing, prepared by Ontario Non-Profit Housing Association, to all those who received the original document.

Perhaps I could just speak to that. For those who are perhaps not committee members and are here this week,

the matter was discussed last week. It actually came to light as a result of a document that's cited in here, Ontario Needs Non-Profit Housing, which was prepared by the non-profit housing association, which attributed certain comments to the auditor—I believe there were four of them—which I picked up in a document that was sent to me by my non-profit association, which is Peel Non-Profit Housing Corp.

When I saw them—I didn't see all of them; I saw a couple of them—to me it didn't sound like what I had heard at public accounts and I felt it was important that the auditor be put on notice of it, and he was. In fact you will recall on the last occasion he brought to us I think two others or maybe three others that I had missed.

We heard that this document had been disseminated to some 2,000 groups and in fact it was disseminated with a letter from the Minister of Housing, I suppose the most succinct way I can put it, endorsing it as further evidence of contradiction to the arguments made by landlords, I guess, and to those people who would see an alternative to non-profit housing.

I have no difficulty with that, nor do any of us. I think a minister has the right to do that, but in so doing she either negligently—and I hope that's what it was—or deliberately—I hope that's not the case; I think it was negligently—endorsed this document. It went out under her covering letter, which gives it a good deal more emphasis, and it would give a good deal more emphasis regardless of what party the minister belonged to.

1030

In fact there was evidence from my own non-profit organization, Peel Non-Profit, that in response to a letter from the auditor concerning these inaccuracies that I had pointed out and he had pointed out, they said the reason they sent the letter to me and to others was that they were relying on the letter of the minister and this strong endorsement and indication by her that the document was one to be taken verbatim and every word in it was gospel. That was not the case.

I think any time it happens that any one of us makes a mistake in terms of putting forward information, we are required to correct it and I think that's the twofold either/or. I'm sure I may have difficulty getting the first one, but I would think the second one as a stand-down position should certainly be done and an apology to the groups who relied on it. If any minister is to retain the support and the confidence of these groups, where there's an error they have to say, "I'm sorry and it won't happen again" or "It was an oversight, and we apologize."

There may have been actions taken—I'm not sure the items that were incorrectly stated would have produced that, but there might have been positions taken by non-profit groups out there. There are a whole slew of them. Not wanting to put them down in any way, shape or form, these are volunteers from communities. They're not sophisticated Philadelphia lawyers who are going to understand all of the ramifications of the legalese and all the rest of it.

I think when the minister does that it could result in one of these organizations having either a downside to it

because they follow it or perhaps losing confidence in any further documents that come out or losing confidence in anything further—and I'd say this as a last resort because I would hope it never happened, but they might lose confidence in the particular ministers involved in their whole process. I think that would be to the detriment of Ontario.

Non-profit housing in my community certainly is needed and it serves a purpose for those people who cannot afford to go the usual route. In some of the non-profit housing projects that I've attended the openings of, I've been very impressed by the fact that there is a very strong neighbourly feeling to the place, which you don't necessarily get in an apartment building or you don't necessarily get even in a residential area where everybody owns their own house. I've found there, in knocking on doors, many people don't even know who their neighbour is, whereas, particularly in non-profit housing layouts where they are single-family homes or detached, the people seem to be very community oriented.

I think it's very important that we maintain the integrity of this by ensuring that they can rely with confidence on what the minister says or what the minister offers to them. That's the purpose of this.

There will be those among us who will take perhaps a deeper look at it and say that this is a partisan move and that this is simply to embarrass the minister. I suppose you can read that into it too, but I can assure you that had this been the minister of even my party, if we had been in government, I would have urged this, because I think it's very important that we maintain the integrity of the whole system.

The Acting Chair: I have about eight minutes that Mr Callahan took and I was prepared to suggest that we have about 10 minutes each.

Mr Callahan: Did I speak that long?

The Acting Chair: Yes.

Mr Callahan: Good heavens.

Mr O'Connor: I don't think we need that.

The Acting Chair: Maybe you won't need that. Good, you don't have to take it. Do we have any comments from this side of the table?

Mr Callahan: I can see the votes gathering there.

Mr O'Connor: I think, Mr Chair, that the minister has acknowledged she's willing to send something out in writing. Mr Callahan's motion has an "or," an alternative: The minister would distribute a letter correcting the inaccuracies.

As the member succinctly put it, there was a turn of events here that led to a letter to be sent out. It certainly did stir up some dandruff, and I think the minister is willing to move in a direction to correct that—I think that he can accept that as well—as she stated clearly on the record in Hansard in the Legislature.

Mr Callahan: Can I just inquire of the member whether or not—I think it's important that this committee gets a copy of that correction letter because, as you know, in government—

Mr O'Connor: I think you've asked for that and it

has been recorded in Hansard and it probably will get to us at that point now.

Mr Callahan: But as you understand, whatever political stripe is in power, that letter could be—hopefully within our lifetime, but these things can take a long time. So I would appreciate it if we could get a copy of that when it's sent out so we know that it has been done.

Mr O'Connor: I think that's a reasonable request and I'm sure that the minister's staff are waiting by patiently and making note of your request, Mr Callahan.

Mr Callahan: Oh, all right.

The Acting Chair: Are you ready for the question? All those in favour? Opposed? Carried.

I'm informed the Chair can request a copy of that letter for the committee, if the committee would like that.

Mr Callahan: All right.

The Acting Chair: Now, we have an item 3, which is the special education report, but I'm wondering if we should deal with the Provincial Auditor's earlier suggestion that he had a—no?

Mr O'Connor: I would refer it to the subcommittee for some discussion.

The Acting Chair: How do you determine that?

Mr Tilson: With respect, it's been a topic we've been talking about for years.

Mr O'Connor: Absolutely.

Mr Tilson: I think we should hear it now. Is that what you said?

Mr O'Connor: No. We've talked about this report on special education. I thought we could move to that and refer the auditor's request to the subcommittee so we could perhaps deal with that in a more expeditious fashion.

Mr Tilson: I'd like to hear his letter now.

Mr Callahan: Can I make a suggestion? I think it's important that we deal with the special education item. It has been deferred a long time. If we have time afterwards, we can deal with that motion, or we can refer it to the subcommittee. I notice Mrs Cunningham is here and I'm sure she's here for that purpose.

Mrs Dianne Cunningham (London North): No, I actually came to listen to you this morning.

Mr Callahan: Oh, is that right?

The Acting Chair: It would seem to me that we have the suggestion over here that we move on to the special education item. Not to set you on the back burner, but if that's all right, then item 3.

DRAFT REPORT SPECIAL EDUCATION

The Acting Chair: I'm advised that the committee should consider whether it wants to continue in closed session on this draft, because it is in draft form.

Mr Marchese: Someone should explain, whether it's draft or not, why it should be in private as opposed to public. Is there anything in here that's legal—

The Acting Chair: I can take a stab at it, but we can save a lot of time by asking—

Mr Marchese: My sense is that this can be very public, unless someone can convince me that it shouldn't be.

The Acting Chair: There's no problem with it. It's totally up to you. So there's no reason to consider it in private? Okay.

Mr O'Connor: Draft reports quite often are dealt with that way, dealt with in camera situations.

The Acting Chair: Does everybody have a copy of the draft report?

Mrs Cunningham: Sorry, I don't. I don't know why I wouldn't have it.

Mr Marchese: This is the copy we got about a month ago. Is that the same one?

The Acting Chair: Yes.

Interjection.

Mr Marchese: We're going to stay put.

The Acting Chair: There was just the suggestion that since it's in draft form, we may want to, but there doesn't seem to be any need to do that.

Mrs Cunningham: Mr Chairman, first of all, I apologize that I haven't looked at this. I see the date on it. Maybe I didn't get it because I'm not normally on this committee and we've missed within our own group.

Is the purpose of the meeting today to go through this and ask questions of the auditor and perhaps deal with it again, or is the purpose of the meeting to finish it?

The Acting Chair: I would think the purpose of the meeting is to go through the draft and see if it's in the form the committee wants it.

Mrs Cunningham: Okay. I would feel very comfortable if that were the case.

1040

The Acting Chair: Might I suggest that we take up to 15 minutes per caucus, or is it generally just an open discussion?

Mr Callahan: Mr Chairman, why don't we get through the report and save questions till the end, because otherwise we will wind up not finishing the report. I think it's important that we get this report into the House. I would hope that when we get it into the House it could be debated. It's a significant issue of concern.

Mr Marchese: Mr Callahan, were you suggesting that the researcher carry us through this report?

Mr Callahan: Yes. She can take us generally through it. If you want my assurance, I've read it and I think it's marvellous. I think it says everything we'd like to say.

Mrs Cunningham: Mr Chairman, if I leave to speak in the House just for five minutes, I'll just leave and come back again. I want you to know it's not because of anything the researcher may say.

The Acting Chair: Bob, do you think you have comments or questions as we go through this? I do.

Mr Callahan: The practice we've used in the past, although we've never stuck to it, was that the researcher would take us through it and then when we finished it we would ask questions, unless some burning question arises.

The Acting Chair: Good. Let's go.

Mr Gilles Bisson (Cochrane South): I think we should have a 30-minute debate about how we should undertake this.

The Acting Chair: No. We're going to do it now.

Ms Anne Anderson: Does the committee want me to read it or just go paragraph by paragraph? It's, "On page 1, have you got any comments?" Okay, we'll start at page 1, the introduction. My intention here was just to set the scene, what the committee was doing and how it went about it. The first paragraph talks of the Provincial Auditor's report and how the committee had concerns about special education, the second paragraph about the hearings the committee had, and the third paragraph expresses appreciation to the minister, ministry and to the auditor. Were there any questions or comments on anything on page 1?

The second page: I initially did an overview on special education, looking first at the roles and responsibilities that had been established under the Education Act and where special education had initiated with Bill 82. It goes on talking about the ministry having overall responsibility for the development of legislation and the school board's responsible for the delivery. The second paragraph on page 2 just establishes that there are the identification and placement review committees and special education advisory committees. Are there any comments or questions on that part of the overview section?

Mr Callahan: Could I make a suggestion? There are members here on the committee today who were not here for the hearings and perhaps, Anne, if you could just summarize the pages, what they're all about, and they can read along at the same time and maybe get a feeling for it.

Ms Anderson: Okay. The overview of special education and the roles and responsibilities: Special education received formal legislative power from the Education Amendment Act, which was Bill 82, that was passed in 1980. Before that, special education had been provided by school boards, but it was done—

Mrs Cunningham: What page are you on?

Ms Anderson: I'm at the beginning of page 2.

Bill 82 mandated that children who are identified with special needs should have special education given to them. Under that act and the regulations, school boards are required to put in place procedures for identification of the learning abilities and needs of the pupils and the programs and services that must be available to all those pupils who have been identified as being exceptional.

Each board has to have an identification and placement review committee that examines the students who are referred to it and decides whether or not they're exceptional and recommends a placement for those students. The legislation also requires that each board prepare a plan of its special education programs and services and has to ensure that its schools comply with the plan and submit the plan to the minister biannually.

To summarize that, the ministry really has overall responsibility for the development of the legislation and the school boards are responsible for the delivery of the

programs and services. Each board has the flexibility to be able to tailor the individual programs to meet the specific needs of the children who are identified as exceptional within their own jurisdiction.

The ministry's six regional offices should ensure that the legislation and policies from the ministry are communicated to the school boards within their region.

As well as these IPRCs, each board has to have, by legislation, a SEAC, a special education advisory committee that's made up of board members and representatives of the local parent advocacy groups. The legislation says a SEAC can make recommendations to the board about any matter that affects the establishment and development of special education programs and services for the exceptional pupils that have been identified in that board.

Are there any comments or questions or changes people would like in that initial overview?

Mr Callahan: I notice you're going to get into a table, which is I guess the table outlined in the Special Education Information Handbook. I notice there's nothing in here to cover—or maybe it's covered under "Emotional Disturbance," under "Social Maladjustment." A group came in to see me yesterday—I'm trying to think of the name of the disorder; it's where you've got a tic.

Ms Anderson: Tourette's?

Mr Callahan: Yes. Apparently, these Tourette's people can be learning-disabled as well. They talk about autism, hearing impairment and so on; they specify particular disabilities. I wonder if, for clarity's sake, we shouldn't just make a note of that Tourette's disorder. As I understand it, one in 200 citizens has it and it's a very debilitating disorder, involving speech impairment and so on. I'd like to see it added to our report, at least by way of footnote, that we'd like to see the information handbook specifically deal with that disorder.

Mr Paul R. Johnson (Prince Edward-Lennox-South Hastings): I would just suggest that that is probably inappropriate, in that if we start to deal with specific afflictions, we can probably draft a substantial list. I would think Tourette's syndrome would probably come under the "Behaviour" title, knowing that Tourette's manifests itself in some very mild and in some very extreme ways.

Mr Callahan: You may be right, but the handbook specifically deals with a number of disorders: learning disabilities, speech impairment, language impairment, hearing impairment, autism.

Mr Paul Johnson: If I may interject, Tourette's is a specific syndrome or affliction, and there is a multitude of those. It would come under the heading of, for example, behaviour or social maladjustment. I might even question why autism is in there. I just think that if we start to list them, we can certainly establish a significant list of specific afflictions that would come under any of these five headings.

1050

Mr Callahan: Let me give a specific reason I think it should be in there. I had never heard of it before I met with these people and I think most members of the Legislature probably haven't heard of it, or maybe some

have. There are infinitesimal facilities available in communities to deal with these kids. In fact, what was related to me by the constituents who came to me was that you can't even get a diagnosis. You can in certain areas. Kids who are in the catchment area of Mississauga Hospital can be identified and can get treatment, but in my riding there's nothing available and I wonder if that's not a situation that exists in many of the ridings of Ontario.

By specifically referring to it, maybe we'll get the attention of the—if I had realized this when the ministry was here, I would have specifically asked those questions. That's the reason I'd like to see it specifically identified, if only something like a question: Is Tourette's included within, as you say, the general category of—

The Acting Chair: The auditor has a comment.

Mr Peters: Anne, you probably are making the same point. Page 24 of the report deals with this issue, admittedly in more general terms. That's probably what you wanted to say, Anne.

There was discussion, and towards the end of that paragraph, above "Integration," it says, "The ministry is working on updating definitions and reviewing their appropriate use." The whole section deals with defining exceptionalities and raises the point we pointed out, that they have not been updated since 1984.

Mr Callahan: Maybe that's a better place to put it.

Mr Peters: Yes. The choice of the committee is either to leave it as is and assume it will be included in that action, or to put a bracket in that says "such as" the particular—

Mr Callahan: I'd be content with that. That may be a better place to put it.

The Acting Chair: Anne has a comment, and then Mr Frankford.

Ms Anderson: My understanding of the definitions in the handbook when it was originally established was that they were based on the needs the children would have as opposed to the actual disability they had, that it would be based on whether you had a hearing need or a physical need. People who had a particular problem, say a physical problem—they were a double amputee or something of that nature—may not necessarily have a special need in other areas. The focus was on needs rather than on the actual disease itself.

Perhaps the suggestion of putting "such as Tourette's" as an example would work as opposed to listing it separately.

Mr Callahan: As long as it's identified in here.

Mr Robert Frankford (Scarborough East): I'm grateful to the auditor for pointing out the section on page 24, because I think that largely covers the generic question. I know Tourette's is relatively common. It would be quite interesting to know whether it's been the policy in assessment committees to define it as an exceptionality, whether they have already been using this list of exceptionalities and are able to fit this particular diagnostic category into it. I'm sure there must be other diagnostic categories where people would be making a

case for specific inclusion. It may be something we would want to make some recommendation about, but maybe the situation is actually covered by the approach that's discussed on page 24.

The Acting Chair: Ms Marland?

Mrs Cunningham: Cunningham, but that's all right.

The Acting Chair: I apologized at the outset about names.

Mrs Cunningham: Actually, that's a compliment, thank you. I've been wanting to use somebody else's name for a long time.

The Acting Chair: I'm going to go with what's in front of me. I should have known; I've run into you before.

Mrs Cunningham: I strongly agree with the comments of my colleague. In fact, when we looked at this before, I'm sure there were others who had the same concern. I wouldn't have expected—well, I don't know who would put that kind of recommendation together, because it is a political one. We had looked at the exceptionality list as part of the discussion on Bill 4 and had asked that the minister of the day look at it. I think that is worthy of further discussion. Some of us perhaps can go back to those deliberations in Bill 4.

Mr Chair, that's why I asked about the intent today, because I felt that there were enough issues in here—and now looking at it, there are enough issues—that we're going to have to spend some time on these recommendations to change them in some way, based on our own concerns on behalf of our constituencies and on those hearings, where we talked about hard-to-serve children and went far beyond that into some of the recommendations that are here today.

To my way of thinking, that really is the purpose of this report, to expand upon the auditor's report as a result not only of his audit but of some of the discussions under Bill 4 which really do relate to this. I think we've got a wonderful opportunity and I would strongly support some recommendations for change on the exceptionality list, even if that's the only recommendation we make, that other categories be considered as per our discussions under Bill 4 and the original report of the auditor. So I'm agreeing.

I have a question too. It is under the special education pupils and the numbers. I was interested to see that this 8% number is what the researcher and the auditor found, because when Bill 80 was discussed, many of the public couldn't believe that exceptional pupils would account for this proportion of the education population; I think most school boards used 5%. If we include blind and deaf children, I'm sure that we're probably approaching maybe 9% or whatever. It's a very large number and I think it's very important to policy that we know that number. I'm happy to see that their researcher has concluded at least what we thought we would see during the deliberations of Bill 80.

Ms Anderson: So you don't want any changes to that.

Mrs Cunningham: No. I'm just happy to see those numbers. Because of the IPRCs and the special education

advisory committee's work, maybe the 1993-94 numbers are going to be larger because we're identifying, in my view, so many more students, and they say there are so many on IPRC waiting lists. But my real guess, and I hate to say this because it is just that, is that in reality parents are frustrated because their children aren't being considered when in fact they do have special education needs.

The 8% number for programming is probably low. I'm just saying that because I think the Provincial Auditor would be interested. It really means that we are probably going to have to provide more services or more efficient services, because if you really want education to be a success for many people, you deal with them early when they're very young and you put your resources into those first two or three years.

Ms Anderson: The 8% number is the number that the Provincial Auditor has found himself. I think some of the greater number you're referring to perhaps are the 170,000 to 180,000 students that the deputy had mentioned were already being accommodated without having gone through the IPRC process so that the number of students—

Mrs Cunningham: Waiting.

Ms Anderson: —having special needs that have got some kind of accommodation in the classroom is probably greater than 8%.

Mrs Cunningham: That's right. All you have to do is visit your local school board and ask them how many people are waiting and not being considered, or at least are not being included in the numbers. Especially in the early years, if we don't take care of these young people before, in my view, the end of grade 2 or 3, then we're going to put a lot more resources at the other end. It's our only hope, I think, in Ontario.

The Vice-Chair (Ms Dianne Poole): The auditor would like to make a comment, and then I believe Mr Crozier had some questions.

Mr Peters: I have just a very brief comment on the statements that were just made. The 8% number that we found is at the low end. It is, in certain regards, an estimate. The actual number may very well be higher. So I fully endorse the point that was made.

Mr Bruce Crozier (Essex South): This may have come out earlier, but following that 170,000 or 180,000 figure, where it says, "but have not been through the IPRC process," I just wondered why—is it a lack of resources, time, they just haven't been identified yet?—and whether it was worth putting into the report the reasons why they haven't been put through.

Ms Anderson: From my discussions with the ministry, it seems as though these are students who either had special needs that were felt to be sort of smaller than the ones that went through the IPRC process, that parents hadn't yet considered they needed special education, but that there were some sort of preliminary issues the teachers were dealing with, some sort of special needs they were dealing with, or in other cases, the auditor's office had found that there were some children who weren't going through the IPRC process because there

were some blockages along the line, and I don't know what percentage there is. I can talk to the ministry tomorrow if you'd like to have something on that.

1100

Mr Crozier: It was just a question whether the reasons should be put in there or identified.

The Vice-Chair: Certainly, when the select committee on education studied this about five years ago now, there was definitely a blockage in the system then, in many instances, and that was the reason a number of them were not going through, although there are definitely also others like Anne mentioned where they either weren't ready for the IPRC or the problems could be solved without an IPRC.

Ms Anderson: Would the committee like to have something put in to that effect?

Mr Crozier: I'm suggesting that, if there's no objection. That's all. It adds some identification to that statement.

Mr Callahan: Could I add something to that? We went through a great deal of discussion or linkage between this and Correctional Services. That number would be very much more inflated. As Mrs Cunningham said and as I've said for some time, if you don't identify and you don't have real figures, you're going to wind up paying for it at the other end of the pipe.

There was the whole question of funds available for education in the correctional system. I wonder if we can have some sort of a note in there, an appropriate note, that would refer to that as well, that these numbers could be unbelievably higher if identification were made of people who were admitted into the correctional system who have never been identified, never been assessed.

The Vice-Chair: Actually, Dr Frankford was next on the speaking list, but if you want to pursue that, I'll take Dr Frankford first and then go back, or did you just want to make that comment?

Mr Callahan: I just wanted to make that note. Maybe Anne can note it and give us the appropriate words.

Mr Frankford: I suppose one can sort of put a note of caution there about making the range of people ever expanding, that eventually one would say there's no exceptionality, that you just need a better system for everyone. I think we should be a bit cautious about sort of saying there's a clearly defined group or there isn't. Some of this must be around the bell curve, certainly around the giftedness. I'm not sure. This must depend on what way you choose to draw the bell curve or cut off the bell curve.

The Vice-Chair: Mr Callahan, did you want to continue?

Mr Callahan: No. I think Anne has got a note of it and maybe in our final report something in that regard will be alluded to, I would hope.

The Vice-Chair: Perhaps then if there are no other questions we could go on to the next page.

Ms Anderson: We discussed that section really on the overview of the number of special education pupils there are, and there's the table Mr Callahan had referred to of

the exceptionalities which has been taken from the ministry's handbook, the definition. Those are the categories of exceptionalities that are discussed.

Next, just part of the overview on page 4, is the funding. The auditor had found that school boards spent at least \$1.3 billion on special education in the year that ended September 30, 1992. That amount's shared by the ministry and by the school boards.

Just to put that amount in context, the total expenditures for elementary and secondary education in the 1991-92 fiscal year were \$13.6 billion, \$5.7 billion of which—that is about 42%—was paid by the ministry. Another part of the context, the \$1.3 billion is about 10% of the \$13.6 billion in the total expenditures on elementary and secondary education. Just to update it too, I've added the 1993 figures of \$14.3 billion and \$6.4 billion for the total expenditures and the ministry's share in there.

Mrs Cunningham: This is a comment and also a recommendation that I'd at least like to see, a recommendation on the numbers of exceptional pupils and give some direction in the report there. I think there needs to be a recommendation around the issue of the exceptionalities, but also—it may be later in the report, and I apologize, but I'm almost halfway through and I haven't seen it yet.

Under the funding, I feel strongly that there are some programs we're doing in education that are extremely costly that could be better done with the cooperation of another ministry or even under the auspices of another ministry. This would mean that the local taxpayers—the property tax base, being a question for all of us on the costs of education, could be reduced and that the government, whichever ministry, would be able to serve more young people if they were to operate the program somewhere else.

My example is what my colleague Mr Marchese and myself and maybe someone else is going to be speaking to on Mr Arnott's motion today. The whole issue of junior kindergarten, where we're looking at early childhood education, is something that could be done in a more efficient way, cost-wise, than the way we're doing it and certainly in a more successful way if you're looking at really intervening with children and families that need our help.

I say that because I don't think we can solve the problems with children alone. School boards at this point in time don't have the jurisdiction to move into the home to work with families. Teachers are not trained to do that nor do they feel, under the Education Act, that it is their responsibility. I think that in these days more than ever, although this has been stated for probably a decade or more, we should be looking at the Ministry of Community and Social Services' cooperation.

That's why, as we watch the implementation of the junior kindergarten program, where we're actually watching more and more students go to school every second day, all day, as opposed to the two or three hours, they're capable of gaining some support or education, whatever, confidence in putting their trust in other adults, which is part of the objectives of getting young children out of their home and into this kind of an environment

with their peers. Especially in the special education part, I feel we could be doing it in a much better way.

I don't know how we make that statement, but I certainly think a recommendation, not on a junior kindergarten program alone but even on some of the corrections programs that Mr Callahan talked about where other ministries can be involved—it won't be new, but I think from a financial point of view, which is what this is all about, it has to seriously be considered. Under what jurisdiction can we best help special education students, with our focus certainly on the early years, and unfortunately where we haven't been able to have success in early intervention, with programs to deal with truants and young people who have behaviour problems and others, special needs students in the later years?

I think we could probably come up with a list, or some of us could put a list together, and say, "These are the areas that we feel need careful consideration." It's just a recommendation I think we should be making at the appropriate time during these discussions.

The Vice-Chair: Mrs Cunningham, we have Mr Crozier and Mr Johnson on the list. Perhaps while they're speaking you can take a look at the bottom of page 27, and going on to—

Mrs Cunningham: I think the auditor did remark on this earlier today.

The Vice-Chair: —a recommendation, item number 11 on page 28, which does address the point. You may want to comment a bit later on whether you'd like that beefed up or improved.

Mrs Cunningham: Madam Chairman, the reason I raised it now is it is under the funding part and I thought we could even maybe refer to that in the text of the report, that there are recommendations that will deal with improvements here, or something like that. Efficiency, I'm talking about.

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The Vice-Chair: Anne has a comment.

Ms Anderson: I just wanted to explain that in the first two or three pages I was just trying to set out the scene of what the special education situation was, and then the later part goes into it in more depth and comes in with the recommendations. We can make some reference to that in that overview, if you wish, and then expand it later.

Mrs Cunningham: Maybe as we go along, I'll just say, "Is this somewhere else?" and then you won't have to listen to my dissertations. I promise not to do that again. I'll just say, "Is it somewhere else?" Hopefully, I'll have it read by the time we get there.

Mr Crozier: Just a comment as to presentation under funding. In the last sentence, since we put in 42% a couple of sentences above, we might put in the percentage 45%—the ministry may like that—which indicates it has in fact increased its portion of the funding.

Mr Paul Johnson: I just wanted to respond to some of the things Ms Cunningham has said. Over the last about 20 years, I guess it would be, we've seen the needs of exceptional children and exceptional people addressed by three different ministries. Back in the early 1970s the

Ministry of Health managed much of what the Ministry of Education is managing today, and then there was a transition from the Ministry of Health to the Ministry of Community and Social Services, and then eventually there was a transition from the Ministry of Community and Social Services to the Ministry of Education. There's been a real desire to integrate within the educational system those people who require special education.

I understand we are dealing at this point with the funding aspect of this. However, if I heard Ms Cunningham correctly, and she may want to correct me, it sounds like you want to reverse some of the direction in which we've taken the needs of exceptional people and go back to where we were when the Ministry of Community and Social Services managed and looked after the needs, educational needs as well to some extent, of exceptional people with regard to their education.

I understand that we are speaking about funding here, and I know Ms Cunningham would certainly agree with me that however the province funds programs there would be ministries competing for dollars from the province. Certainly we would have the Ministry of Community and Social Services looking for more money, I have no doubt, to deal with the additional funding requirements to manage the education of the exceptional people it would be required to look after, and that would take it away from the Ministry of Education.

We like to think that throughout the province of Ontario our society is divided up equally so that every school board has the same number of exceptional people it has to educate and therefore gets its same percentage of dollars to do that. We know that in reality it just doesn't work that way, and it does create burdens on some of the smaller school boards around the province to deal with some of the exceptional education funding needs. I guess I can stop there, but I just wanted to respond to the comments you've made.

The Vice-Chair: Ms Cunningham, do you want to respond before we go on to Mr Martin?

Mrs Cunningham: Just quickly. We probably would both agree that you can't go back, but you can re-examine what you're doing to see if you can do it more efficiently. You can take the strengths of all three areas—you mentioned three ministries—and you can talk about the frustrations.

One of the considerations in the last probably 10 years and recommendations we've looked at from major reports is that there be a single ministry of the child. I'm not saying I would agree with that but I think we should be going back to Laurier LaPierre's report and taking a look at why he made that recommendation.

I am saying that we've gone too far in thinking we can solve these problems in junior kindergarten classes, or, I might add, kindergarten classes. Children who are in school for two and a half days with no liaison or very little liaison, because we don't have the jurisdiction under the Education Act—that's not being helpful.

There are other programs in other jurisdictions that I think we should be looking at seriously to implement, that I would recommend tomorrow, where Ministry of

Community and Social Services dollars are involved. These are in parenting programs in cooperation with child care.

The reason I think Education has really taken over is because it's a very powerful ministry, in my view. People in education and in the education bureaucracy are extremely articulate and confident. If you were to ask people in health care what they ought to do, they're not as sure of what they ought to do because it's never really been their domain. The public health departments have usually pointed out problems and asked school boards and other ministries to deal with the programs. But they've become very much stronger in the last decade in their own programs and we should be working with them where they show success. They've had tremendous success.

All I'm saying, Paul, is I don't want to go back, but I think we should examine the best programs. We may find that all three ministries have to be involved. But I can tell you right now that we're moving far too quickly, putting young people on buses for two hours a day when they're three years old to go and come from school, and it's just not working. Those children should be in their own communities in programs maybe where there aren't schools.

I think this committee has been particularly non-partisan in its nature, and that's why I'm happy it's here.

The Vice-Chair: Just before Mr Martin finally gets to make his long-awaited comments, the auditor has asked for an opportunity.

Mr Peters: Thank you, Mr Martin. Just a very quick comment on the numbers. These numbers in the funding are influenced by that half-a-billion-dollar deferment of the payments to the pension fund that I've commented on in my audit opinion, so I'm not quite sure whether it's safe to put the percentage into that. I'm not sure how they were reflected, and that would make quite a difference. The half a billion did all refer to this ministry, because it was the pension contribution to the teachers' pension fund.

Mr Tony Martin (Sault Ste Marie): I don't think I'm long-winded, Madam Chair. I don't speak much, actually.

Mr Tilson: You decided long-winded. She said long-awaited.

Mrs Cunningham: I'm long-winded.

The Vice-Chair: I said "long-awaited," because Mr Martin was actually on the list before Mrs Cunningham and before the auditor.

Mr Martin: I try to get to the point.

I appreciate the comments of Ms Cunningham, and I want to confirm some of what Mr Johnson has said. Being in the ministry now for almost four years, nothing is ever as simple as we'd like to make it: It always seems, when you get into it, much more complicated.

One thing I wanted to say is that regardless of how you cut the cake here, if you're going to resolve this one you're going to have to spend money. Whether it's coming through Comsoc or Health or Education, it's going to have to go out there. If you're going to respond

to what the community is telling us the needs are, and we certainly are trying to do that, you have to spend the money. Whether it comes through property tax or income tax, it's the same taxpayer. It's one person digging into his pocket and paying. Where it comes from, after a while becomes semantics, as far as I'm concerned.

We need to change the system. It needs to be more effective. We need to be working more cooperatively with communities. There certainly need to be more interministerial things happening and all of that, but I think we fool ourselves if we think that in the end, by doing all of this we're going to get away with spending less money on this issue, particularly if, as has been suggested here this morning, we're going to define and redefine and put new groups on and add to this whole question in the way I've heard. Pretty soon everybody will have their own special ed class and their own professional attached and the cost would be astronomical.

Over the years, there's been a move away from a community dealing with the people who live within it in ways it has the ability to do and to think that some professional can come in and resolve it. We have people in the mental health area who move into areas of difficulty and move out of them, and with support and help in various ways and levels, that can happen.

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What we're trying to do as a ministry and as a government is be cooperative, allow for those supportive areas to come forward and be part of the equation and do it in a way that recognizes that we don't have unlimited funds, that we have a problem at the moment in this province which sees us with a deficit and debt that the people out there are saying is problematic. In trying to balance those things, the question then is, how do we do this in an effective and progressive and proactive way?

I don't have any answers either. I know it's something we need to grapple with, but I think we need to be careful that we don't get into very simplistic solutions of adding another category or getting the money out of some other pocket or working cooperatively ministerially if there is no plan. I just put those comments on the record.

Mr Peters: Mr Martin, the 1993 auditor's report also contains a comment on the child welfare programs. You'll notice that Comsoc, for example, spends about \$850 million on it, and that ministry at the moment has put out a brand-new policy framework on dealing with that issue. I think the recommendation—why we are particularly endorsing it—is of cooperating. There may be a link between how to provide children's services in this province by Comsoc with the way children with special needs are dealt with in the education program which may not actually require additional funds, just a better way of cooperating in the process.

Mr Martin: All I'm saying is that that's not as simple as it sounds.

Mr Peters: Absolutely.

Mr Tilson: Not only what the auditor has just indicated, but there's also the issue of cost. I quite agree that nothing is as simple as it sounds, but the fact is that the delivery of the service may be more expensive under the

education system as opposed to under the Comsoc system, that a particular service that involves the child could be handled as well, if not better than, the education system. Obviously, the salaries alone under Comsoc are much less than those under the education system.

More important, I suppose the service that's delivered under the education system is directed more to the property tax system. You say it's the same taxpayer. It really isn't the same taxpayer. Not all people across the province pay property taxes, and in different ways they pay property taxes, depending on the type of place they live in.

I guess one looks at (1) the cost of the service that can be delivered and (2) it may be a provincial issue in the same way that—whether we're talking the subject of junior kindergarten, which by coincidence happens to be going on as we speak in the House, or whether we're talking about correctional services, these may be provincial matters. The service may be less expensive and perhaps even better provided by those agencies as opposed to the education agencies.

I give the example that teachers aren't trained to do everything. Just to repeat what Mrs Cunningham has indicated, they're not trained to go into the home, nor should they be, and there may be other agencies that should be involved in the delivery of the service and in the cost of that service.

Mr Martin: Just to respond, I understand all that. Yes, the cost of delivering through Comsoc may be in some instances less expensive, but when you get into this area of special ed and mental health difficulties, the cost of professionals is quite exorbitant. Maybe I shouldn't say it in quite that way, but it is expensive. Whichever way you do it, if you want the professional who is going to do the job, you're going to have to pay for it. There is an expense there, and that's why I say it isn't as simple as it sometimes appears, once you get into it. There are some costs.

I agree with you: There is a difference in taxing through the property tax system versus income tax. I would like to see us move more to an income-tax-based delivery of services, because as the Fair Tax Commission reported, the property tax system is not a fair one. There's no consistency; there's no rhyme or reason to it in many significant ways. So we need to do that.

I guess all this just goes to say that, as I think you are saying yourself, Ms Cunningham, we need to look at this and find other ways. But let's be realistic in terms of what it will cost us, and the fact that it will cost us if we get into the area of providing the professionals we need in Comsoc as well. They're very expensive.

Mr Marchese: I had just stepped out for a moment and missed the question, so now I understand that the question is whether Comsoc should be running some of these services versus the educational system.

My personal preference has always been that the educational system run these programs, for a variety of reasons. I think the costs are probably very similar. I suppose an audit could be done to see which of these two, if it were to be run by any one of them, would cost

less or more. My suspicion is that it would probably be more or less the same.

Even if I were wrong, however, I lean very heavily towards a learning model as opposed to a pathological model. Part of my concern in some boards of education is that we have overburdened our system with a lot of social workers and a lot of psychologists and plenty of psychiatrists, to the extent that we have overpathologized learning. I think good teachers have managed to get students who have been in special education out of it, whereas in many other programs in fact we have not been very successful, so they linger and are trapped in special education programs for a long, long time. This is not to take away from the concerns of parents who say, "No, but my child is different and needs that special attention."

In all my learning as a teacher and as someone who's been in the system for a long, long time as a trustee and in research I've done, the label that we attach to these learning problems, the fact that we put them in these special education programs, creates in itself a major, major problem to deal with. Whether it were in Comsoc or Education, I don't think we'd solve some of these problems, although I think the focus has to continue to be on what we, as teachers, can do to get these young people out of these special-ed programs as fast as we can. But I lean towards a learning model and therefore an educational system as opposed to a Comsoc-delivered system.

Mr Martin: There are some examples of some schools in the education system where there has been some creative adjustment to the schedules that allows for teachers to go out of the school and into the homes to find out what's going on there so that there is that kind of connection and interaction. However, I think perhaps in some ways the social worker might be the most appropriate professional to be doing that, and perhaps we need to be finding ways to allow that to happen.

The Vice-Chair: Anne has a comment on how she thinks we can resolve this particular discussion.

Ms Anderson: It's not really resolving the problem but is on how to put it in the report. There's a subsequent section which is called "Ensuring a Cost-Effective Service." Perhaps I could add a subsection of that which talks about looking at collaboration with other ministries in some way to see whether that would help improve the cost-effectiveness of the total delivery of education. Then the committee can look at that and see whether it wants to come up with a recommendation out of it.

Mr Tilson: I never try to anticipate what Ms Cunningham is trying to say, but—

The Vice-Chair: But you're going to.

Mr Tilson: I guess you're probably referring to page 28, are you?

The Vice-Chair: No, page 6.

Ms Anderson: Page 6 starts off a major heading called "Ensuring a Cost-Effective Service," and it goes into issues that the Provincial Auditor had looked at in terms of compliance and financial transparency and the different audit arrangements. They talk largely of funding, indirectly anyhow, and perhaps there would be room

for an additional section within this major heading of having people, whether it's the ministry or whoever the committee decides, look at the question of greater collaboration. It does come up on page 28 but it was more in relation to some of the supports.

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Mr Tilson: I agree, teacher training and support. You're quite right: That is under teacher training and support. I believe that we're all—well, we may not be saying the same thing as Mr Marchese, but certainly Mr Martin seems to be saying the same thing: "Accept it's a complicated issue." I don't think it would hurt, as a recommendation, to look at this issue, notwithstanding what Mr Marchese has just said, because I think he's saying, "No, don't look at it."

Mr Marchese: I wouldn't. But I don't advocate your looking at it.

Mr Tilson: I think the report should indicate that we should at least consider these issues, that these issues should be considered by several ministries.

Mr Peters: It is actually under that. On the very page you're at, item 11.

Mr Tilson: Except that that deals strictly with teacher training and support. I suppose you can relate that to funding.

Mr Peters: A fair point, yes.

Mr Tilson: But you're right. If item 11 on page 28 dealt with the whole concept, then I would hope that item 11 should be made a little stronger.

The Vice-Chair: So is the committee agreed that Anne will put in a special section under page 6, "Ensuring a Cost-Effective Service," and we could take a second look at that and decide if we want to strengthen it or make a recommendation on it? Okay?

I think that's everybody who's indicated an interest in speaking, so we'll go on to the bottom of page 4, "Provincial Auditor's Review."

Ms Anderson: My intention in this next section was to lay out the Provincial Auditor's concerns and what he had done. The objectives in undertaking the value-for-money audit were "to assess whether there were satisfactory procedures in place to determine compliance with special education legislation, regulation and policies and to measure and report on the effectiveness of the special education programs."

This formed the structure of the Provincial Auditor's review.

"The audit included visits to five regional offices, eight school boards and 15 schools as well as interviews" with various groups, "education researchers, school board administrators, teachers and advocacy groups" etc.

The Provincial Auditor found that, while the legislated responsibilities were relatively clear, the ministry did not have procedures in place that would enable it to ensure that those special education children, the exceptional children, had special education programs. Particularly, they noted that:

"Ministry procedures are not adequate to ensure that school boards comply with various legislated, regulatory

or policy requirements; and

"Procedures to evaluate the variety of special education programs and services offered by school boards were not adequate to determine whether these programs and services were the most appropriate and cost-effective in meeting the needs of all exceptional students."

That really was a brief summary of the Provincial Auditor's objectives and in one sentence what he found.

The Vice-Chair: Just before we go to Mr Martin, I have a very minor technical point. The first sentence, where it says, "The objectives of the Provincial Auditor," goes on in the quote, which isn't attributed to anywhere, to say, "Specifically we assessed." Could we just change it to, "The objectives stated by the Provincial Auditor," with a semi-colon? It just clarifies that it's the Provincial Auditor stating this and the "we" refers to the Provincial Auditor, not the committee.

Mr Martin: I just wanted to ask the auditor, in doing this and in this piece, if he looked at the whole area of what responsibility school boards had to make sure that some of what was seen by the ministry as necessary and most appropriate in a given circumstance re the question of special ed—what responsibility they have as elected officials representing the community with a mandate to govern, and the Education Act clearly stating that there are some areas of jurisdiction that they have control over and that they should be working with them, and given that the ministry counts very much on the responsibility and accountability and professional ethic of a school board to do what's in the best interests of the students who come into its purview.

I know here you said that the ministry didn't have procedures adequate to ensure. What about school boards and their responsibility, working with their own SEACs and responding to the needs of their area and involving the resources that are present in their area to actually do this job? Did you give any thought or consideration to that, and what was your sense of what's happening out there?

Mr Peters: I'm just making an outline. Firstly, we have discussed at great length that our role of auditing school boards is a very limited one. It was only to the extent that they let us in the door. We are not the auditors of the school boards, so the discharge of their responsibility was available to us only on the basis that school boards actually opened their doors to us and let us look as to what they were doing. But yes, we did think about it and we did, where we could get into school boards, review and interview people on this basis to follow up on the questions that you have just raised. In doing so we would not, though, consider that as a full audit, because we did not have full audit rights. But I'll let Gary follow up.

Mr Gary Peall: I guess the short answer is also that because the ministry doesn't have a lot of procedures in place, the regional office rule wasn't particularly strong in this area. They themselves didn't really know the strength of the board's procedures and that's one of the objectives they should have: finding out what system the boards do have in place to make sure they adhere to the ministry's policy requirements.

We did find variances in the practices in the school boards we visited, so it really is all over the map in terms of how regimented they are in reviewing the programs that they have and monitoring the degree to which they comply with ministry requirements.

Mr Marchese: The question I think he's asking is, to what degree are trustees accountable as elected officials for this? Was that the question?

Mr Martin: That's part of it, yes. What you're saying, though, is interesting too.

Mr Peall: The act makes the boards accountable for the delivery of special education programs and services, so they're allowed to design programs that meet local needs, subject to the framework of policy that the ministry has put in place. So yes, they do have a responsibility to do that and some trustees sit on SEACs and that's maybe their main point of interaction with the special education programs and services. But there is quite a variance in how boards respond to that and the kinds of information that a board would be provided with. I think we found a general weakness in the kinds of information about what programs work and which ones don't, so that kind of information generally isn't available to school boards.

Mr Marchese: Just as a clarification, the question is, are trustees accountable where boards are not accountable? We have specific provincial policy or guidelines. To what extent are trustees held accountable for that?

Mr Peters: I can just speak, and Gary, you will want to get into the detail. In our audit itself, to the first question, yes, we are aware of their responsibility, but the performance was very sporadic and we did not find that the accountability mechanisms in place were adequate. They are poor. I think I would rate them as poor.

Mr Martin: The point I'm trying to make here is that it's very difficult for a ministry to make sure that everything that it wants done gets done, working through various layers, particularly if one piece of that is an elected body that is responsible to the people. We may come up with the best of legislation and policy and procedure. If somehow that's not working its way down the system and arriving on the street in terms of service, then the question I have is value for money and who's responsible for making sure that—is it really us or is there somebody else out there who's getting in the way of this really happening? We're spending \$13.6 billion a year, 10% of that on special ed.

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Mr Peters: To answer your question very specifically, we have two reports in the report. Two sections in our report dealt with the issue of curriculum development and special ed. If we really have to summarize what we found in terms of getting value for money, in terms of performance, in terms of the existing accountability framework, in the curriculum development we found that delivery of the objectives that are set out in the Education Act was difficult, and in special ed it was beyond difficult. We had the feeling, from our report, that the system wasn't delivering, and the accountability framework is not a good one.

Mr Callahan: On a point of order, Madam Chair: I'm not sure, Mr Martin, are you the parliamentary assistant to the Minister of Education and Training?

Mr Martin: Yes, I am.

Mr Callahan: The point of order I'm making—and I don't say this in a pejorative fashion, Mr Martin—is that the Ministry of Education and Training officials were already here. We're dealing with what we put together from those hearings and there really is not a second chance, I suppose, to question or to explain the position. What we want to do is we want to get the report out. I think we're getting bogged down in the question of—and I can understand your position as parliamentary assistant.

Mr Marchese: He was raising a good point, though.

Mr Callahan: I appreciate that.

Mr Martin: I am also the member for Sault Ste Marie.

Mr Callahan: Yes, I appreciate that, but the point of order is that we're not moving on with the report. I thought the purpose of this was to go through the report with Anne and determine whether or not the facts that she has put together and the recommendations are those that we remember as being the case and that the recommendations are acceptable. If we don't do that, we'll be doing special education when a lot of these kids who are subject to special education are collecting their pensions.

The Vice-Chair: While I appreciate your point, Mr Callahan, quite often what happens is that we have people substitute in while we're holding the hearings when the Legislature is not in session and we have different members present, so sometimes we have to go over things from a different viewpoint.

Mr Callahan: I appreciate that.

The Vice-Chair: Secondly, I don't think we are necessarily limited to only discussing what was in the hearings. There may be things that, as we discuss them today as a committee, which is one of the few opportunities we've really had to look at this and discuss it, there may be other items that come up.

I've always found when we discuss these reports, in the first half-dozen pages we spend a large amount of time and then it speeds up because a lot of the questions get answered early on that may refer to other parts of the report.

Mr Callahan: I appreciate that, Madam Chair, but what I'm saying is that—and I'm not suggesting Mr Martin is subbed in here to once again question what we've already determined—we've heard from the ministry officials. This is what our report is supposed to be, a report of what we got from the ministry officials, and in addition to it, what the auditor has said about the weaknesses and the strengths.

What I gather from Mr Martin's discussion, and I certainly am not being critical, I'm just saying that what we're doing is getting a second look at it. Maybe as we go through the report, if he disagrees with what Anne is saying, as a result of what we've heard from the ministry officials and what the recommendations are, that's fine. But I get the feeling that there's an apologetic coming

through here, which I find is not useful to us getting our report. I say that with all due respect, Mr Martin. I'm not trying to be critical. That's the feeling I'm getting.

The Vice-Chair: I'm trying to give a fair amount of leeway because Mr Martin's comments were pertinent to the subject of special education and other members have taken considerable—

Mr Callahan: Including myself.

The Vice-Chair: —whatever word I wanted to use there. Mr Marchese.

Mr Marchese: I just wanted to agree with you fully and to disagree with Mr Callahan.

Mr Callahan: Surprise.

Mr Marchese: The point is that Mr Martin raises a good point of accountability. This whole report is based on whether the system is accountable. He raises the additional question, "Who is? Would the trustees be accountable?" as an extension of this argument. They're not the persons, obviously, to answer this particular question, but it's certainly a good one, so it would enhance the report, given that we're talking about an accountability mechanism. It's not an apology, it's not a diversion, I think it's a useful addition to the discussion.

Mr Martin: In fact, if I might just clarify the point—

Mr Callahan: I didn't mean to sidetrack you.

The Vice-Chair: But you did.

Mr Callahan: I'll withdraw it.

The Vice-Chair: Okay, he's withdrawn, but would you like to make the comment?

Mr Martin: No, that's okay then. We'll just leave it at that. I just think that if the auditor's work, and he does good work, is going to be helpful to us as a government, we need to ask these kinds of questions and we need to be able to determine at what point intervention needs to happen, if in fact that's what needs to happen, in order to make it better. I'm just exploring that in light of what you're doing here. That was why I asked the question.

Mr Callahan: I surrender.

The Vice-Chair: Mr Tilson is next. I had Mr Callahan, but I assume that was covered by your point of order? Okay.

Mr Tilson: I think the issue is a valid issue to raise at this point. I can tell you that it was actually an issue I wanted to raise at Mr Callahan's motion, which we passed, which dealt generally with education, in that one looks at whether or not value-for-money audits, whether it be an accountability of trustees or accountability of whoever, how meaningless that may be. I was a trustee on a small board and I know we have trustees of two large boards and you were a trustee. We've got lots of trustees around, but they're ex-trustees.

Mrs Cunningham: We know what power we didn't have.

Mr Tilson: We know where the power is. I was a trustee just when special ed was coming into the fray, which was in the 1970s.

Mr Paul Johnson: That explains all the problems in the system.

Mr Tilson: I do remember this topic of accountability which you raised—whether it be with trustees or whoever, it gets to a question which I would have preferred to ask at Mr Callahan's motion—is just that. I will be looking forward to seeing how the Provincial Auditor or any other auditor is going to have value-for-money audits of teachers, whether they be special ed or anyone else who's delivering the service. There are different models, as I understand, and Mrs Cunningham could speak on that far better than I, that have been suggested.

Certainly as a trustee, I can well remember sitting there. If you wanted to question that process of evaluation of a service, then you'd better be prepared to take on the unions. If you weren't prepared to take on the unions, then I can tell you that the whole evaluation process is not even there; it's meaningless.

I don't know whether the auditor has put his mind to that, because I really look forward to someone coming forward and talking about the evaluation of the delivery of a service, which is what we're on here—actually, we won't be on it, I don't think, until page 6, but it's sort of introduced on this page—on that topic, because that's what it's all about.

I know that's a political issue. I know what I'm saying is political and partisan but I can tell you, as a trustee I remember sitting there, "If we want to change this system, we're going to have to take on the unions." That's all I have to say.

Mr Martin: I think what Mr Tilson has pointed to here, in my mind, is that we have various levels of responsibility and accountability and pressure points in terms of where decisions are made and where the buck stops. There are certainly the teachers and their organization, the trustees and their mandate, and then we get up to the Ministry of Education.

If we're going to find a way to deliver programs effectively and in a way that's going to be helpful to students in the end, I think you're right: We need to be discussing the whole ball of wax. To leave it simply at the door of the ministry—and I'm not being apologetic here; I'm speaking as the member for Sault Ste Marie who deals with this on a local level—then we miss the point and we don't deal with the whole issue. There are other pressure points too: There are parent groups, there's the SEAC itself, there are other—

The Vice-Chair: The auditor wanted to comment before we move on.

Mr Peters: That is a key element in our report, and one of the things is that we had a very positive response from the ministry, both directly to our report as well as when it appeared before us, as to wanting to deal with the issue at all levels.

The other point is, in conducting value-for-money audits, in conducting these audits particularly, we interviewed—I forget the exact number, but it was a vast number of teachers, principals and others, and they had, as professionals of course, their own ideas, and they were very useful. If we set the audit criteria as to how the service is better done, there are a lot of professionals in the system who are quite willing to move in the right

direction at all levels and all organizations.

I think something can be done, and the unity that this committee particularly showed on this issue is probably one of the most outstanding examples I can think of, on this particular issue of education, bringing virtually everybody on side in the process, and maybe that can be followed through through this report.

Mr Martin: I guess it's with that in mind—I don't see in here myself in this particular portion, and it may be further on. I apologize. I'm not on this committee so I didn't spend a whole lot of time with this. Maybe I should have out of my role as parliamentary assistant and my interest. But there's no reference in this, in my mind, to that question of the larger picture and the other bodies that are responsible and who want to participate. Is it further on?

Mr Peters: I thought it was. It was at the outset, but maybe not as emphatic as you would like to see it.

The Vice-Chair: Perhaps that's something we can revisit at the end of the report, and if at that time you feel that it isn't emphasized as much as you would like, we can return to it.

Mr Marchese: I think Mr Peters raised some interesting points. I have been part of this committee once, actually, when it was being dealt with, and part of the concern I had was how the auditor does one's audit, using what kind of knowledge. You have the knowledge of finances in terms of whether or not dollars are spent in a particular direction, but how do you actually evaluate

its effectiveness in terms of a learning model? You then have to presumably resort to the ones who have the knowledge, which is what you said you would do.

Mr Peters: Yes, which we have done.

Mr Marchese: So I think it would be useful, in the body of this report somewhere—and maybe at the next committee some of us can reflect as to where, or the researcher—to find a way to include those remarks into the report.

Mr Peters: I have to make, if I may, another point. There is a separate report on curriculum development, which also deals with this issue. I think that is forthcoming, I guess, and will be discussed by this committee. The committee may consider, for example, such a solution as dealing with this as a preface to both of those reports, because both curriculum development and special ed are totally affected by the quality of the accountability framework that is in existence.

To answer your specific question, yes, we are quite aware that we are accountants by training and auditors by training, but particularly in this particular examination, I would think that I wouldn't be overstating the case that we had interviews with about 700 professionals, something like that, to come up with these two reports.

The Acting Chair: Might I suggest—it's a couple of minutes before 12—we adjourn this till next week?

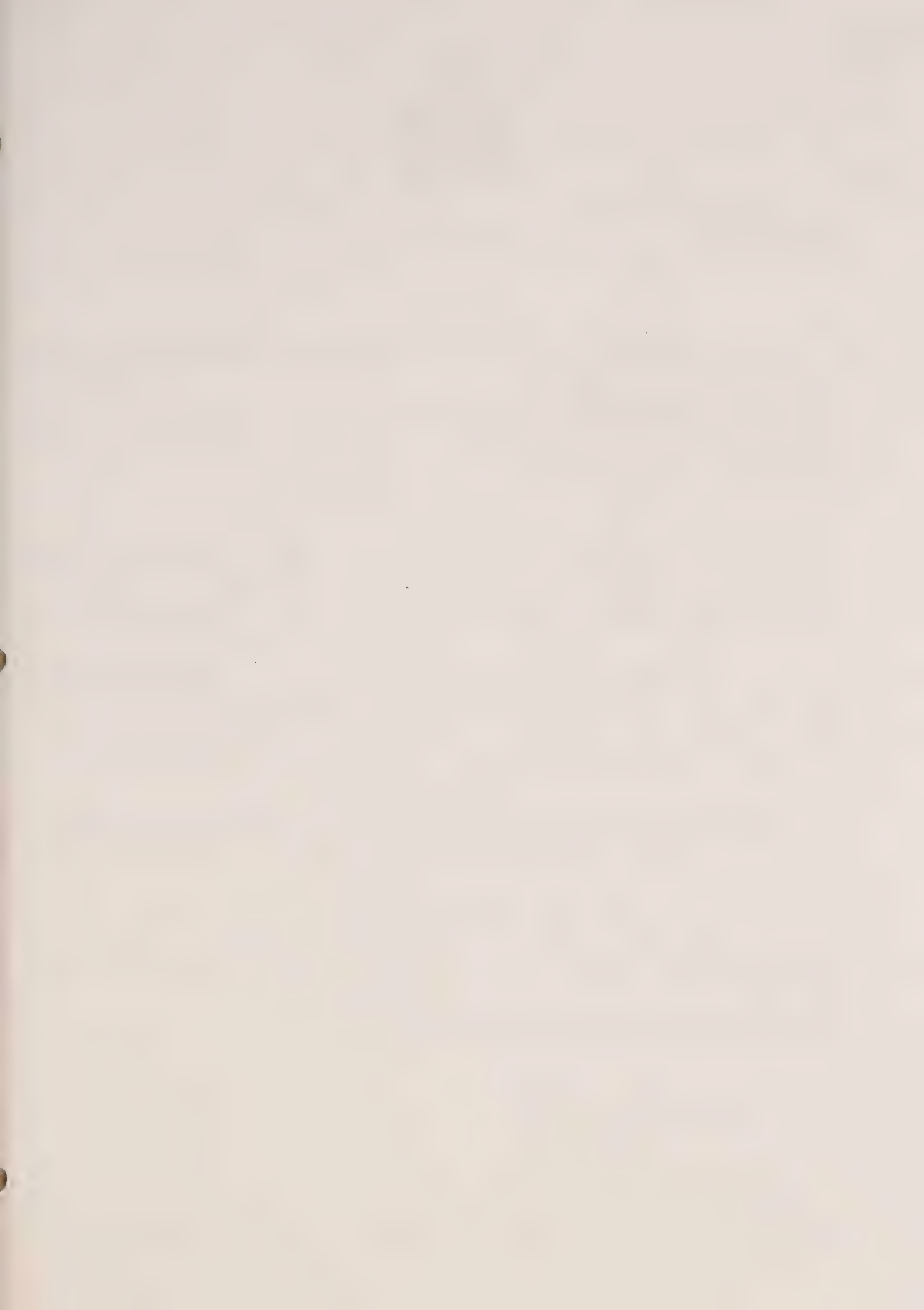
Mr Marchese: I move adjournment.

The Acting Chair: We're adjourned.

The committee adjourned at 1155.

ERRATUM

No.	Page	Column	Line	Should read:
P-15	P-287	1	15	a memo that was dated May 3, 1993, that was issued



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*O'Connor, Larry (Durham-York ND)

Owens, Stephen (Scarborough Centre ND)

Perruzza, Anthony (Downsview ND)

*Tilson, David (Dufferin-Peel PC)

**In attendance / présents*

Substitutions present / Membres remplaçants présents:

Johnson, Paul R. (Prince Edward-Lennox-South Hastings/ Prince Edward-Lennox-Hastings-Sud ND)
for Mr Perruzza

Martin, Tony (Sault Ste Marie ND) for Mr Owens

Sorbara, Gregory S. (York Centre L) for Mr Cordiano

Also taking part / Autres participants et participantes:

Cunningham, Dianne (London North/-Nord PC)

Martin, Tony, parliamentary assistant to Minister of Education and Training

Office of the Provincial Auditor:

Peters, Erik, Provincial Auditor

Peall, Gary R., director, ministry and agency audit branchess

Clerk / Greffier: Decker, Todd

Staff / Personnel:

Anderson, Anne, research officer, Legislative Research Service

Murray, Paul, research officer, Legislative Research Service

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Troisième session, 35^e législature

Official Report of Debates (Hansard)

Thursday 21 April 1994

Journal des débats (Hansard)

Jeudi 21 avril 1994

**Standing committee on
public accounts**

**Comité permanent des
comptes publics**

Draft report
Special education



Rapport préliminaire
Classes de l'enfance en difficulté

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STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 21 April 1994

Jeudi 21 avril 1994

The committee met at 1016 in committee room 2.

DRAFT REPORT

SPECIAL EDUCATION

The Vice-Chair (Ms Dianne Poole): We will be continuing our work in reviewing the draft report on special education. As I recall, I think we were last discussing pages 6 and 7 of the report. Do we have any comments to start with from our researcher?

Ms Anne Anderson: I think at the end of last week we'd just finished off page 5 and were about to start the section on page 6.

Mr Robert V. Callahan (Brampton South): I was at page 12.

Ms Anderson: You were at page 12.

That's headed "Ensuring a Cost-Effective Service," so unless there are comments about the earlier material—

Mr David Tilson (Dufferin-Peel): I just have a question. Unfortunately, I wasn't present during the hearings but I have discussed with Mrs Cunningham, who was present, an issue that I raised last week. I think I know what "value-for-money audit" means. What I'm not sure of is what a value-for-money audit is with respect to evaluating a service with respect to special education.

The Vice-Chair: Perhaps we could have the auditor comment.

Mr Erik Peters: The way we structure these value-for-money audits, essentially, it's fundamentally a five-step process where we are taking the legislative objectives and going through the five steps. The end result is, are they achieving the objective that is set out in the act or not, and that's what we would focus on. So what we would say, and we go through the ramifications: In stating the objectives themselves we make a distinction between those that they feel they can measure and report and those that they only have quantitative information on, number one.

Then, secondly, do the ministry and the body that is responsible for delivering the education actually deliver the service in accordance with the objectives?

So it's strictly objective-oriented and results-oriented, like outcomes. Here the fundamental question was that the act itself, for example, says there are certain entitlements, for all children in Ontario with exceptionalities, from the school system. Now, how do the schools boards go about delivering that? Are they identifying the children properly? Once they are identified, are they getting the service that they're supposed to get under the act?

Mr Tilson: How do you do that? Not you, but how is that determined?

Mr Peters: Firstly, it's through these two committees, the identification and placement review committee, IPRC, and the special education advisory committee, SEAC. There is supposed to be a committee structure that acts as an adviser and advocate for the parents of the child, and that is supposed to be staffed with sufficient specialists who can analyse not only what the condition of the child is but, at the same time, develop a course of action as to what services are supposed to be provided to that particular child. What we are looking at is, what is the quality of these mechanisms that are in place? Do these committees do their job? Do the specialists do their job? Do they have the specialists? That's why, for example, we pointed out that some schools may have only a part-time person who sort of from 3 to 5 on Mondays looks at these activities, while other schools have a whole barrage of specialists in place to assess them.

Because you are our client, we have to look at the province as a whole. We are saying that, for example, if you have a child with an exceptionality in one school board, you have a good chance of that child being properly serviced, but if you have the same condition in the school board 15 miles down the road, you probably haven't got a chance.

Mr Tilson: That's whether or not a program is offered 15 miles down the road.

Mr Peters: That's right.

Mr Tilson: It might not even be offered because of different restraints or whatever; maybe it's not mandated.

What I'm getting at, which is a general question which I asked—I didn't really ask it; it was just a statement that I made—is that you may have a service with respect to special education, and there are all kinds of services. I'm looking specifically at page 6 where we're evaluating the quality or effectiveness of a program or service in relationship to its cost. I guess what I'm looking at is, as the Provincial Auditor, are you confident that there is a value-for-money system of evaluation, particularly with respect to the delivery of a service?

Mr Callahan: If you take a look at page 5, it'll tell you no.

Mr Peters: I think you're referring to the sentence where it says, "The Provincial Auditor observed that neither of the conditions required to ensure cost-effective and appropriate delivery of special education programs and services were in place."

Mr Tilson: Yes.

Mr Peters: Yes, we are, largely because of the levels of responsibility. What we're really concerned about here is that the ministry itself, under the Education Act, is charged with the delivery not only of the service, but that the service have certain qualities to it. And essentially, under the system as it is right now, the actual service delivery is left to the individual school boards. Our auditee was the ministry and our question was, to the ministry, "How do you know that your act is administered consistently across the province," because it's a provincial piece of legislation, "and that the service is delivered appropriately to each Ontario child?" What we are saying is that the ministry did not have the wherewithal to ensure—they did not monitor necessarily what was going on, nor did they get necessarily all the plans and have an appreciation of the results that each school board was trying to achieve.

So we're confident in our finding, to begin with, at the ministry level. We are not confident of our findings, of course, at the school board level because we don't audit school boards. There we are basing our conclusions essentially on interviews, on information that the school boards provided to us, that schools provided to us, that educators provided to us.

Mr Tilson: I guess you're saying really two things. You're saying, getting back to Mr Callahan's valid point, that the procedures aren't adequate from the ministry, so therefore the evaluation of the school boards obviously isn't adequate.

Mr Peters: That's right.

Mr Robert Frankford (Scarborough East): Staying very much on the same points, I notice here it says a value-for-money is an evaluation of the quality or effectiveness of a program. If I understand right, one can audit things for process or for outcome. I'm somewhat familiar with this in terms of looking at health care, and I can see that it should be the same in education. Now, I can see that the outcome has its problems in being evaluated, but I'm sure it's not impossible. Are we saying that this is something that you do, or is it too broad? Is there not really a mandate to be looking at the outcome of programs?

Mr Peters: Yes, your assumption is correct. If I may just direct you to recommendation 2 that is in this report on page 9, I believe the researcher has quite realistically captured what I think we recommended and what we suggest that actually the committee recommended in going on, in saying that the Ministry of Education and Training should establish procedures to enable regional offices to monitor the costs. We would like to add "costs and effectiveness of special education programs and services delivered by school boards and facilitate the sharing of best practices among school boards," because this would be one way in which the ministry can actually discharge its responsibility.

To get very briefly into the second part of your question which deals with effectiveness as such, that is outside our purview. The Audit Act says to us that we shall report on situations where effectiveness is measured but not reported, or not measured at all. That's what we comment to you on, because if we went into effectiveness

ourselves, we would stray into a policy side. We are staying on the administration side and the administrative procedures.

Mr Frankford: This recommendation 2 on page 9, the ministry "should establish procedures...to monitor the effectiveness," this could say you should set up some standardized reporting systems, something which is set up as a routine; that you could be relating, say, reading levels with participation in a program or something.

Mr Peters: That's right, yes. They could make the demand of saying, for example, what are your plans to identify all students with exceptionalities? Which exceptionalities can you deal with and which can't you deal with? This sort of thing.

Mr Frankford: Yes, although I would say that's a bit different. That's more the process of, what have you got set up? But I'm saying, having set up the program and having had children go through it, how do we know that it did anything?

Mr Callahan: That's policy.

Mr Peters: Yes, it's policy, and we have to assume that was the legislators' intent when they passed the Education Act with the provisions for special education that are in the Education Act, that they were outcome-oriented in that. They are very outcome-oriented in the wording. What we're saying is, you can't know what your outcomes are if you don't measure and report what you're doing.

Mr Frankford: That's the responsibility of the ministry, which they could delegate to an academic body like OISE, the Ontario Institute for Studies in Education, if they wanted, for instance.

Mr Peters: If they decided to do that, I'm not sure what the legality of the situation would be. They would have to probably examine that. But I guess they can assign the responsibility for it to the various bodies.

Mr Frankford: Okay, thank you.

1030

Mr Bruce Crozier (Essex South): Madam Chair, through you to the auditor, we've discussed that first paragraph on page 6 and the two recommendations on page 9, but just above the recommendations, where it says, and this is for my own information and satisfaction, "the Provincial Auditor's proposals." So, sir, you sit down with them; you have recommendations to make in detail as to how they may satisfy your recommendations? Do you discuss that, these inefficiencies and what they might do to come to your recommendation?

Mr Peters: We do discuss it but we are not very specific on the "how," for two specific reasons: Firstly, we are not educators or specialists in the particular field; the people in the ministry are. The second one is, there normally are a number of options available as to how to do it. If we came down on one option and that was not the option that the experts would say is the correct option, we would probably negate the impact of the audit process, so we'd rather leave it open-ended. We describe in detail what has to be done, why it should be done, what the risk is of not doing it, and we make the recommendation along those lines, rather than going into a very

specific recommendation as to the "how." Does that answer your question?

Mr Crozier: I think so, yes.

Mr Callahan: I want to be clear on something and I don't know whether or not we'd put it in our report. There is a certain amount of money allocated to each pupil for special education, that's my understanding; something like \$232 or something.

Mr Peters: That's right.

Mr Callahan: Is your audit able to determine, without being able to go into the question of value-for-money audit, which the ministry has the power to do or you have under a special power—can you determine whether or not that money is being used for that purpose or whether it's just being sort of folded over into being used for other purposes?

My concern is that in times of restraint and in times of tight budgets—and that's why I wanted either assurances that this was happening or conditions attached to the money so that it had to be put into special education, not only in the regular school board but also on the correctional side of it—were you able to determine whether that money in fact was being used for that purpose?

Mr Peters: No, we were not, because the school boards are not subject to audit by us.

Mr Callahan: Is there any mechanism where the ministry would check that out?

Mr Gary Peall: No. That pot of money is added to the basic enrolment grant. It's just expressed in terms of the number of pupils, so in that sense, it's unconditional. But in an overall scheme of things, the \$1.3 billion, which we very conservatively estimated being spent on special ed, is more than the amount that that translates into across the system. While you can't tie it to specific special education programs or services, you can, I think, rightly assume that at least that amount of money is being spent by boards to deliver special education, so we didn't even try to identify it.

Mr Callahan: That's not a matter of concern, but I guess appropriately being able to identify kids who have that problem and the monitoring of the programs to ensure that they're following what is required, I suppose—well, okay. I'm concerned about that further item, that this money is not being used for some other purpose, it's not being just rolled in to cover some other area. But you're satisfied that the amounts, as best you can be—

Mr Peall: Like Mr Peters said, we couldn't confirm in terms of our audit work, because we can't audit the boards in that respect. It's possible that some boards spend far less—and in fact do—than others, so it potentially could happen that a board spends less than the amount that translates from the ministry for special ed. But our main point is that we're concerned about those variances and the fact that no one really looks at what the costs and effectiveness are of the various programs and services that are offered. It may be that a board that spends twice as much as the ministry gives it on special ed isn't spending the money wisely; conversely, maybe it is, and meeting needs much more effectively.

Mr Callahan: That goes back to the question David

asked about the issue that a school 15 miles down the road may have no special education at all yet is receiving that grant and not using it, because they're not being monitored in terms of identifying kids or providing programs and therefore that money is sort of found money for them that's not being used for the purpose for which it was allocated. If that's the case, and you're saying the \$1.3 billion represents a multiplication of the per capita student amount that's allocated to special ed, it means some boards spend more than the allocation.

Mr Peall: Oh, yes.

Ms Dianne Poole (Eglinton): When I read through the auditor's report and then pages 6 to 9 of the report prepared by Anne, my understanding is "There are no overall ministry procedures for monitoring the delivery of the programs and services by the boards." This line is repeated at the bottom of page 8 and the top of page 9. Therefore, I'm wondering exactly what the ministry has initiated, because if you look at the next sentence, which is near the top of page 9, it says: "To address this question, the ministry has initiated monthly meetings with regional offices in order to review the issue of establishing procedures to evaluate the delivery of programs and services."

I'd just like that clarified. Is the ministry having these monthly meetings in order to establish procedures, or are they just going to talk about whether they want to or feel it's appropriate? How far has the ministry taken this?

Ms Anderson: There are two monitoring things that are discussed here. One is the monitoring of the special education plans, whether they comply with the legislation and set programs in place. That was the first part of it. The second major thing was how the regional offices ensure that programs and services established in those plans are actually delivered. That's the second part that you're addressing.

The ministry has just initiated some discussions with the different regional offices on how they might be able to do this. I don't think they've progressed very far down that road at the moment. They've got further along in the guidelines in the first section, how to improve the monitoring of the special education plans.

Ms Poole: Just so I'm perfectly clear, the regional offices are not the ones that are formulating these guidelines and establishing the procedures. They're more interested in how they could monitor and deliver after the head office has formulated them. Would that be correct?

Ms Anderson: There are some issues involved in terms of how you can evaluate each of the individual school boards when they all have different ways of delivering it. I think they're just looking at the process issue, initially anyhow.

Ms Poole: So the way it's worded, "to review the issue of establishing procedures," would be accurate. They're not actually at the stage where they would be trying to establish—

Ms Anderson: I can confirm that.

Mr Peall: If I can just add to that, they're in the process of reviewing the whole regional office structure and role, and that's in conjunction with not just this but

also curriculum development and the whole monitoring of boards. I think that's why they worded it, or at least Anne has worded it, that way. I'm not sure how far they've gone and I'm not sure they know yet what the exact role of the regional offices should be and consequently how they should be staffed to achieve it.

Ms Poole: I just wondered whether, as far as our recommendations go, the ministry and the regional offices are already implementing them. In fact, they're at the beginning stages because of their restructuring, and this is one of the issues they're reviewing but they haven't got as far as our recommendations.

1040

Mr Tilson: My question may just have been answered, and I repeat that I wasn't present during the hearings, unfortunately, so my questions may appear to be naïve, but such is life.

I assume we're now talking about the subject of monitoring compliance. My question is to the auditor. I look at the two recommendations, and we say regional offices are poorly equipped, we say the committee is concerned that school boards offer a consistent level of service. It may well be that I don't understand what the regional offices do. Looking specifically at your recommendations, should regional offices do the monitoring? Is it impossible, financially or otherwise, for the ministry directly to do the monitoring? We're saying throughout that they're not capable of doing it, they're poorly equipped to do it, but should this monitoring process, once you have a monitoring system established—I gather we don't even have one yet—be done by the regional office or should it be done by the ministry? You're saying the regional office, but my question is, why can't the ministry do that directly?

Mr Peters: That is a very good question. We are, as auditors, normally fairly hesitant of speaking to organizational structure.

Mr Tilson: So that's a political question, in other words?

Mr Peters: In a way, yes. It's the way the ministry wishes to organize itself.

Mr Tilson: Okay, that's fair. Just to finish on that, because it's a political question, you'd rather not—but is it completely a political question? What we're trying to do is have the same standard of education across the province. We want the same group of monitors. I don't even know how many different regional offices there are, but will the standard of monitoring be consistent around the province if it's the regional offices that are doing the monitoring?

Mr Peters: There are two parts to your question. Once the standards and the guidelines are in place, whether the delivery mechanism goes through a regional office or is centralized in the ministry is essentially internally a ministry decision. As auditors, we would comment on it if we feel it impedes the work. If, for example, the committee feels it would like to follow a layering recommendation—in other words, remove one layer of administration out of the system—I think that is totally within the committee's own purview.

Mr Tilson: As I said, I can only offer my apologies as I wasn't present at the hearings, but we talk of the cost of delivery of an education service, and there seems to be a bureaucracy here with these regional offices. I have no idea how they got established. I don't know whether the regional offices, the number of people, would then move to the central ministry. I don't know all of that. All I know is that it seems to me there are two things that need to be considered. First, do we have another layer of bureaucracy that may not be needed? Second, would what these regional offices are trying to do around the province, namely, monitor this type of education, be inconsistent, notwithstanding the fact that they're following a handbook of how you monitor things? I don't know. My immediate reaction, not being present at the hearings, is that that is a layer of bureaucracy that may not be necessary.

Mr Peters: I find that a very useful point from an audit perspective. What the committee might wish to consider is amending recommendation 1 to focus on the consistency of the guidelines and sufficient expertise and say that the Ministry of Education and Training should ensure that it has consistent guidelines and sufficient expertise with which to review special education plans of school boards, and thereby stay out of the organizational issue altogether and leave it essentially to the ministry to determine the mechanisms through which it wants to administer and follow up on these guidelines and the sufficient expertise.

I agree with you totally that the recommendation as it stands right now could be read as this committee endorsing the structure of having regional offices. If you're uncomfortable with that, its elimination would be a potential.

Mr Larry O'Connor (Durham-York): How old is the structure that's in place now? How old would the regional structure be?

Mr Rosario Marchese (Fort York): As old as the Tory government.

Mr O'Connor: Oh, we don't want to endorse that.

Mr Marchese: It's archaeological now.

Mr Crozier: I direct the committee to the third paragraph on page 8, halfway through that, where it says "the ministry has recently developed guidelines" and then the next sentence says, "Once the guidelines have been developed...." Is this a contradiction? Have the guidelines been developed or are they being developed?

Mr Callahan: They're in a state of flux.

Ms Poole: Should it be "is developing guidelines"?

Mr Crozier: If it could just be made a little clearer.

Ms Anderson: I'll go back. You're right; that's a good point.

Mr Crozier: Further to wording, in recommendations 1 and 2 and it goes through all the recommendations—I just need this explained to me why the words are used—it says, "The Ministry of Education and Training should ensure" and "should establish." In each case it says "should." Would "shall" be too strong a word from an auditor's standpoint?

The Chair (Mr Joseph Cordiano): It turns it from a recommendation into an order. "Should" is the word we always use with recommendations.

Mr Crozier: I'm new at this, and I just needed to have that explained to me.

Ms Poole: On that point, just a very brief comment. The select committee on education one time spent three hours arguing the merits of "shall" as opposed to "should." I'm not sure if we went as far as getting a legal opinion, but we certainly got all sorts of opinions on what each meant. Because our recommendations actually don't have any weight unless the government chooses to implement them, "shall" is only a very strong recommendation and "should" is just not as strong. It depends on how strongly the committee feels in this regard. We could change it to "shall."

Mr Marchese: In the end it wouldn't make a great difference.

The Chair: Mr Tilson on this point, and then Mr Marchese has a question.

Mr Tilson: No. I'm still back on the point I was raising. Suddenly the topic got changed, but—

The Chair: Then Mr Marchese is next on the list.

Mr Tilson: Mr Chair, I was raising a point.

Mr Marchese: I was going to speak to your point. I can speak to it again.

Mr Tilson: Good. We seem to have got sidelined.
1050

Mr Marchese: I just wanted to support the recommendations as they were. As to the words "should" and "shall," Ms Poole has already talked about it. Effectively, it makes no difference in the end, because the recommendation talks about what it should do. "Shall" makes it stronger, but I don't think in the end it makes a great deal of difference.

To Mr Tilson's point, I think it isn't so much a political question as, administratively, is it better to have the central government, the ministry, review all of this, or the regional offices? In the end, they're one and the same, because they work together. My view would be that if you had the ministry administer its monitoring procedures alone, without the regional offices doing it, it would be an overwhelming burden on the ministry to do this. In effect what you would be doing is taking people away from the regional office, bringing them here to the Ministry of Education to do the job that otherwise they would be doing in the regional office. So whether you wanted to centralize—

Mr Tilson: Does one regional office know what the other regional office is doing?

Mr Marchese: But that's the point. My second point, in addition to saying that you would be overly centralizing, I think unnecessarily, deals with the point you just raised. If you have consistent guidelines, which is recommendation 1, that's all you need. Once the regional divisions meet with the ministry officials to establish the guidelines, they then become consistent. Then each region, all six of them, monitors what it has agreed to as a plan.

I'm not sure that what is here does not take care of the previous three pages of concerns that have been listed. My sense is that the recommendations are adequate to do the job we're wanting them to do.

Mr Tilson: I know what the Minister of Education is trying to do to cut down on costs. He's cutting things down: numbers of trustees, other things, perhaps amalgamation of school boards. There are all kinds of things, and we should be looking at that at the same time. It's the delivery of a service: What's the best way with the amount of money available—in other words, the value for money, I suppose—the process we should be following?

I understand what you're saying, that it may be the same people, but it may not be as many people. It may well be a central service, a central facility, a central ministry trying to provide a consistent policy. I have observed different boards in my own riding, as maybe all of us have, that are quite different, philosophically and otherwise. You can have books and books of regulations, but for some unearthly reason—perhaps it's the philosophy of the administration, perhaps it's the philosophy of the trustees; for whatever reason—it can be a quite different type of education. In fact, the criticism has often been made in this province that we have different qualities of education throughout. Notwithstanding that all three parties when they have been in government have been trying to develop a consistent type of education across this province, I'm not so sure that's occurring. So something's wrong.

Here am I talking without our critic, which is dangerous. But I just look at that issue of regional offices on both of these recommendations. There should be more control, in my estimation. I'm saying this without our critic being present, but in my view, philosophically there should be more control of the monitoring process by the central office.

The Chair: If there are no further matters—

Mr Tilson: Mr Chair, I can see that the term in the recommendations isn't going to change, but I just wanted to put on the record what my view is. I'm concerned with the wording of these two recommendations.

The Chair: Am I to take it that there is general agreement that the wording ought to be changed in some fashion? Mr Marchese?

Mr Marchese: No. I understand what Mr Tilson is getting at, but I think these recommendations get to the matter. What you want are consistent guidelines. If there are inconsistent guidelines, you have divergencies in all the boards. What is lacking are the consistent guidelines, but once you have them, recommendation 2 says "establish effective monitoring mechanisms" to make sure that is being done. That's really all you need.

With respect to the fact that some boards are different one from the other, that's just a given. We as a central government, as a provincial government, establish central kinds of responsibilities for boards, and then each board is allowed, based on its own needs, to do different things, to the extent they're capable of fund-raising with their own property taxes, for example. But on the whole, there are certain central responsibilities.

What we're saying here around the one issue of special ed is, establish the guidelines, provide—I know “sufficient expertise” is vague; it's always a problem when you have words like “sufficient.” But it says establish the expertise and then put the monitoring mechanisms in place to make sure it's being done. What more can you do?

Mr Tilson: With respect to that, the recommendations say two things: one, that the ministry should establish that the regional offices have sufficient guidelines.

Mr Marchese: “Consistent guidelines.”

Mr Tilson: That's right. The second thing that the recommendation says deals specifically with the regional offices monitoring the service, and it's that area that I have some questions about. You may be right, but my initial reaction to this, and I haven't been through the hearings, is that there's something there that creates a diversity which I'm not so sure we want. But enough said. Mr Marchese and I have probably had our say.

Mr Peters: Maybe in the two, though, possibly if we could have agreement to make some slight modification, because I still appreciate Mr Tilson's point that by leaving in the regional offices, which are ministry offices not school board offices, we are perpetuating potentially an organizational form that maybe even the ministry might want to delete.

With indulgence, I would like to propose that with a minimum change of words, you might wish to have number 1 read, “The Ministry of Education and Training should ensure that it has consistent guidelines and sufficient expertise with which to review the special education plans of school boards.”

Mr Marchese: Sure. That's fine.

The Chair: Leave it open.

Mr Peters: Leave open which organizational structure they want to do, because that's what you're after.

In number 2, I would make the proposal to add the words “costs and” before “effectiveness” so that it reads, “The Ministry of Education and Training should establish procedures which enable it”—again—“to monitor costs and effectiveness of special education programs and services delivered to school boards and facilitate the sharing....”

Again, we take the regional aspect out as an organizational matter in the ministry and we add “costs” to the monitoring features. There's elsewhere “costs” specifically, but this may be a good point to put it in.

Ms Poole: I just wanted to comment on that. I can see why you take out the regional offices, because it is the Ministry of Education and Training that should develop the guidelines; that's a central role. But in number 2, the ones who are going to monitor the costs and effectiveness will be the regional offices. I think that's a very practical way it's going to happen. Yes, the ministry might have the ultimate authority, but I can see that it's the regional offices that will be directly looking after this. I can see Mr Marchese is anxiously looking at me.

Mr Marchese: No, not anxiously. I understand what Mr Tilson was getting at. If the tool eventually is the regional office, having “it” refer to the ministry is all

right because what he wants is to make sure that the ministry is monitoring.

Number 1 says that it have consistent guidelines, and 2 is that it monitors. If it does it through the tool or the mechanism of the regional office, that's fine, but at least he's assured that the ministry is the final overseer of both its guidelines and its monitoring policy. So I think it's okay.

The Chair: Agreed. Moving on to the next section, “Financial Transparency.”

Ms Anderson: This section addresses some of the things that Mr Callahan was bringing up earlier to do with the amount that is spent on special education through the various sources, whether it's through the general legislative grant structure or through the board-specific or program-specific programs. It identifies the amount of money that appears to be spent on each but points to the problems that have been spoken to, that it's hard to identify the costs very specifically either for any one school board or for special education in general. That makes the whole question of cost-effectiveness difficult to evaluate.

1100

It's in the first paragraph of that section at the bottom of page 9, which talks to the Provincial Auditor's estimate of \$1.3 billion spent on special education, that being derived from school board reports. I point out that there's no separate accounting of quite a lot of the different items.

Then on page 10, just go through the different ways that schools receive money for special education. It's partly through the per pupil grant amount, and so for primary and elementary, it's \$285 out of the \$4,034 per pupil grant. That amount is assigned to special education. At the secondary level the amount is \$211. This amount comes on a per capita basis but just goes to the school boards, and the school boards can use it in the way they deem appropriate.

In addition to those, there are the specific grants. One is in lieu funding that gives grants for salaries and benefits to specialist teachers and teacher aides to boards that offer special education for blind, deaf and blind-deaf pupils who would otherwise attend a provincial school.

Section 27 of the GLG regulations pays for salaries and benefits for teachers and teacher aides in educational programs for children who are in correctional facilities or who are in various care or treatment homes. There are also compensatory grants that are given to boards to help address some of the difficulties for boards who have students who are economically or socially disadvantaged.

Mr Callahan: In looking at that figure under paragraph 2, the \$66.2 million that was funded through the ministry in 1993 under agreements for people who are placed in care, treatment or correctional facilities, what does that work out to in terms of the numbers of people who were serviced?

At the rate of somewhere between \$285 and \$211 per capita for each child, it seems to me there's either an incredible amount of people in correctional facilities who are receiving special education, in which case that should

form the subject of its own committee hearing in fact, or in the alternative there's an awful lot of money being suggested as being spent there that's not being spent there, that's perhaps being spent in some other place within the educational system outside of the correctional system.

I don't imagine there's any way you can tell us the answer to that question. But I'd like to know the answer, and maybe you can do it and provide it afterwards. In the mathematics, is there any way of figuring out what that \$66.2 million translates into, what the number of people in correctional services care and treatment is, for us?

Mr Peters: Okay, I'll make a note.

Mr Callahan: If we find that out, I'd like that to be a footnote, if the committee is in agreement, that the observation that's made is that the \$66.2 million translates into x number of people and therefore demonstrates that there must be a significant—the hypothesis I put forward during the hearings was that a lot of these people who are in correctional facilities are there for two reasons.

First of all, their learning disability has not been diagnosed or has been misdiagnosed, or in the alternative, they've never been diagnosed, or in the alternative, they've never received adequate special education. They get to grade 9 or so and lose interest in themselves and become asocial.

I'd like that in there for the very reason that I think that should become the subject of a total committee to determine what money we're going to spend potentially down the line five years from now if we don't start spending money now to perhaps identify just about every kid, at least young offenders, who go into a facility.

Ms Anderson: I can certainly add some footnotes to that effect, but I just wanted to point out too that after the hearings with Correctional Services, they provided some information on the funding of their section 17 programs in correctional institutions that gives some total dollars.

It doesn't give the amount per capita, I think partly because a lot of the inmates are there for only short periods of time and to give a per capita amount I think would be hard to calculate. But if you would like, I can incorporate some of the data that come from that ministry in this as well.

Mr Callahan: I would like that, if the other members are in agreement with it. I think it perhaps clarifies and strengthens both aspects. It strengthens the aspect of putting more dollars into special education identification and training in the schools to avoid them getting into the correctional facility, and it also attempts to try and get kids, particularly young offenders who wind up in closed custody or even open custody, identified so that we don't spend more money down the line in terms of welfare or the penitentiary system or the adult correctional system.

Under the Young Offenders Act there's actually a provision that a judge can order an assessment of a kid to determine if they've got a learning disability. It's not exercised, in my view, significantly enough by judges, because I guess they either don't know it's there or they don't consider it to be important. But I would think that

would be the most critical part of determining a sentence for a kid, to determine whether or not that kid has a learning disability, because if you don't, by grade 9 you can be sure that they'll be out there acting out their antisocial activities.

Mr Frankford: This raises some interesting questions that I wonder if I can get some clarification on. Is the need for special education considered correlated with economic and social disadvantage overall, and then is this sort of extra ground something that is added to it or is this something which exists on its own? Is this extra money to address a really pressing need which the special education program payments in themselves don't satisfy?

I would also be very interested to get just some indication of where or what type of boards we're talking about that need this additional funding for economic and social disadvantage. Are we talking about urban versus rural or, as a member for one part of Metro, is Scarborough or some other municipality or local board worse or better than other parts? I think it raises a lot of interesting questions which would be quite helpful to get a perspective on what the needs are.

The Chair: Perhaps Ms Anderson could comment.

Ms Anderson: I think the compensatory grants are not confined to children's special education needs but it would incorporate some of those children. Perhaps some of the reasons they have different needs might be for reasons of nutrition or other ones that would stem from social difficulties. I can see if I can find out which boards receive those grants, if that would be useful to you.

Mr Peters: May I briefly comment again? The recommendation again tries to address this by asking that: "The ministry should accelerate the education finance reform project in order to provide full transparency of funding decisions. In the meantime, the ministry should"—and again I would make the recommendation to Anne to take the regional structure out of here—"monitor more closely the use of provincial grants by the school boards in their jurisdictions," which would seem to cover the compensatory funds for Correctional Services as well as the funds given to school boards to deal with socially disadvantaged children, which both seem to be captured.

1110

Mr Frankford: Just one other point, if I could have it clarified. Am I correct that there's also ESL funding or other specific funding that comes from the feds which is not mentioned here?

Mr Peall: Yes, there is some of that money that goes into the provincial treasury, so it's up to the province to then turn around and have its own funding programs for that, and there are ESL grants that come from the province directly. To my knowledge, no money comes directly from the feds to a school board.

Mr Frankford: The amounts that are transferred by the feds don't necessarily recognize the needs or the growing needs—

Mr O'Connor: The realities for Ontario.

Mr Frankford: —and I'll put in a mention for Scarborough, which I believe has the highest growth of needs. Thank you.

Mr Marchese: Just a few things in relation to what Mr Callahan was saying. I think it would be useful to look at not the correlation, but the point he makes is that if you do prevention early on, then you avoid what eventually they get into later on, which becomes more costly for society.

Whether the connection is to special education, however, as the only prevention—I'm sure you wouldn't be saying the only prevention, but rather one of the things that, if you detected it early, would be helpful, because prevention goes beyond merely special education identification. If you don't look at all the other factors that make learning very difficult for a child, it won't solve it. So yes, special education identification is one of those factors, but I think when we talk about prevention we need to look at the broader picture.

I just wanted to comment on Dr Frankford's comment by saying that there is obviously a strong correlation between special ed and economically disadvantaged children. There's no doubt that is indeed the case. But as Ms Anderson was saying, there are other connections. There are other compensatory programs that are connected to other problems as well that students face.

Mr Callahan: Mr Chairman, just on that point I'd just like to say for the purposes of the record that I would think that if an investigation was done of pre-sentence reports over the last five or 10 years of kids sentenced, in 90% of them you'd find the phrase, "This person had a learning disability which went undiagnosed." I think that's even something that the Solicitor General's office might want to undertake as a project because I think it really is there. That emphasizes what I'm saying, that that is a cause.

The second thing is that in addition to the economic parts that Dr Frankford says, there's also the genetic. There's evidence that learning disabilities are genetically transmitted from one generation to the next. So what you've in fact got is a predictable ratio of people who will be affected by it, which would give you some idea of the net cost of what it will be if we don't use moneys now, wisely, to deal with it.

Ms Poole: This is not really a substantive point, but it's a point about language. I don't know. Other members may or may not share this concern.

"Transparency" is one of the new buzzwords, along with things like "paradigm shift" and "electronic super-highway," and it bothers me that we use some of these words. I understand why we use them. It's nice to have one word that can say a whole range of things, but I'm wondering whether all the educators, for instance, who would read this report, and perhaps the parents involved in special education—whether this is a word that for them might have the same meaning that we know it to have. I don't know. You may want to leave it in, but I just have a bias against using the buzzwords without any explanation of what they actually mean.

Mr Marchese: Disclosure? Full disclosure?

Ms Poole: Full disclosure and clarity of what the finances mean, just if there could be, after the first time it's used, a little bracket explaining what it means.

The Chair: I was just going to say perhaps we should have a glossary of buzzwords.

Mr Peters: The researcher has provided, just in the paragraph above, wording that I must confess I really like, and that is that "transparency is...to enable the public to understand how their education dollars are spent."

Ms Poole: What page are you on?

Mr Peters: Right on page 12. There's a sentence that starts with, "As well as enhancing accountability, this financial transparency is also of utmost importance to enable the public to understand how their education dollars are spent." This understanding of the public is, from the audit perspective, one of the items that we're really after in the transparency. So it could read, "...should accelerate the education finance and reform project in order to provide a full understanding to the public as to how their education dollars are spent," something along those lines.

Mr Marchese: In this particular context, actually, "transparency" makes sense to me.

Ms Poole: Yes, it works. I'm not saying it's inappropriate; I'm just saying we often use jargon that only a limited number of people understand. When we had the deputy minister in he was talking about edubabble—was that what he called it?—using all these jargony phrases that this inner group knows what they mean, but everybody else out there—

Interjections.

The Chair: I just make a small comment with regard to words like "transparency." That's such a catchall phrase that it really is irrelevant when you don't detail what that might mean. What's transparent to you and me may not be transparent to others. It sets the general direction and the tone, but I think at the end of the day it really does not get at what is a full accounting, and that's another catchall phrase that we use around here quite extensively. What we mean by that is one thing on this committee.

We can get into semantics and pretty detailed debate around that. I just think that when we try to draft our recommendations, if they're specific and attached to a specific issue and area of concern, then we would begin to use consistency in the words that we use so that there is some kind of understanding. That's really all you can hope for.

Mr Marchese: So what are you recommending?

The Chair: I'm recommending that if we want to use "full transparency," that kind of a phrase, then it has to be consistent with everything else that we've said about that. Otherwise, that has no bearing on what we mean, for example, with regard to "full accounting," which has been a question that continues to evade everyone around what is value for money, what is full accounting? There are degrees of definition around that.

I kind of agree with what you're saying, but it's not to say that we shouldn't continue to use phrases like that; it's just that I think it's incumbent upon us to be as detailed about what we mean when we make recommendations, which is difficult to do.

Interjections.

The Chair: Like the typical politician that I am, I basically concluded very little.

Ms Poole: I recommend that if we are to use the word near the very beginning of the section, right after we first use the word, we explain what we mean by it.

The Chair: I think it's difficult to do that. For an area like "value for money," it's an ever-evolving kind of definition. We're moving it forward and others are still trying to catch up with what "value for money" is in a particular area.

Mr Gary Wilson (Kingston and The Islands): I'm not quite sure what Ms Poole's getting at here. It's clear to me what it means. You can just turn to something as fresh as this morning's paper and see, "Premier Bob Rae has demanded open and transparent negotiations between Ottawa and the provinces."

Mr Marchese: Translucent.

1120

Mr Gary Wilson: I think most people will recognize what he's getting at when they say "transparent." They know that it has to be an open process, that people can clearly see what's going on.

Ms Poole: All I'm saying is that it is not in the normal jargon people use. If you went home to your spouse and said, "I think there should be financial transparency in our relationship," they would look at you as though you'd lost your mind. If you said, "I think our finances should be clear, open and disclosed," they would know what we meant. That's my only point. I don't say to take the word out. Just explain what we mean.

Interjections.

The Chair: Order, please.

Mr Callahan: If I may. What a disgrace. You've suddenly come in and turned this into a partisan—I mean, why do you do that? You do that every time. It's being turned into a partisan event.

The Chair: Order. Mr O'Connor has the floor.

Mr Callahan: You should know what you're talking about.

The Chair: Order. Mr O'Connor, please.

Mr O'Connor: Thank you, Mr Chair. I appreciate the opportunity to follow this transparent conversation that we've had.

Mr Gary Wilson: I think it's become a bit opaque.

Mr O'Connor: Just to touch on that before I move on to the point I want to make, I agree with Ms Poole that the language we use as politicians quite often loses people out there in the real world. I don't know how many people would use "transparent" in this venue in their everyday language; I don't think that many, so I don't know. It's kind of an awkward word, and I think maybe a yuppie word, whatever, a nouveau word or something. I don't think maybe it's the best way, or maybe we have to explain it better.

The concern I want to raise comes along something that Dr Bob has raised, and maybe further along on the special education and then maybe special grants that come through the federal government for special areas of need.

I'm looking at, in my own riding, the aboriginal community that I have there, knowing that our special funds come through from the federal government for some of these needs. I'm not sure how that is directed down through to the local school boards, but with the discussion we had about ESL, I know we're not receiving our adequate share of financial support from the federal government for this type of program, programs that are necessary. I think it probably would be incumbent on us just to put something in that paragraph that mentions that, not in part of a recommendation but just that this committee recognizes that, especially here within the GTA, we do see a huge influx of new Canadians, immigrants who come through to this area, and we're not receiving adequate funding for those purposes.

As Bob raised the thing about ESL, I wondered if maybe I could request Anne to get us a little bit of background information on how that may come about for the native population that is here within the province and is again, then, a special need. I know I have a native school within my riding that goes up to grade 5. How any special funding goes to them, I'm not exactly sure, and I think there might be some useful information for us, especially as we are dealing with this pretty transparent part of our report.

Ms Anderson: I understand Ms Poole's comments about the words and I can certainly try and come up with something else. I think it needs to be probably more than "disclosure," in the sense that in my mind "disclosure" doesn't mean that the public necessarily can see or know.

Ms Poole: Clarity and understanding. It comprises a lot of these words, and that's why it's neat to use it, because it's one word. But if it can't be understood, then our message is lost.

Ms Anderson: I think there probably are people who might have some difficulty with it, so I'll work with it and come back to you.

Mr Marchese: I agree with the auditor. The preceding paragraph uses the word "transparency" and explains it. Unless you separate the recommendation from the text—that would create a problem in terms of what Ms Poole is saying. If, however, the text and the recommendation go hand in hand, the previous paragraph says, "As well as enhancing accountability"—it uses the word "accountability" there—"this financial transparency is also of utmost importance to enable the public to understand how their education dollars are spent and to improve the credibility of the education system. The committee wishes to ensure that procedures are in place as soon as possible that will enable the ministry to trace the funding."

In two sentences, it explains transparency in a way, and then uses the word "transparency" in the recommendation. So I'm not sure that I would struggle too long to find another word in this regard.

The Chair: The last paragraph on page 11 really quite nicely deals with that because it reads: "The committee appreciates that the ministry has begun the process of finding ways to improve financial transparency. The committee remains concerned, however, that until recommendations from the Education Finance

Reform Project are implemented, the ministry will be unable to trace provincial funds such as compensatory grants that are allocated to special education."

So that really details what it is that we're talking about. My point is just consistency and being able to attach it to something that you can point to and say this is what we mean, and therefore, I think it's reasonable.

Mr Callahan: The regular Joe is going to maybe read this; who knows? I doubt it.

The Chair: Is anybody going to read this?

Ms Poole: I think the people who might read this who would have difficulty with it are those parents involved with the special education process, and even the teachers who are involved in special education might not use that type of language. I didn't mean to make this big a deal about it.

Mr Callahan: You were very transparent.

Ms Poole: That's right. I had just wanted very early in the process, not at the end of the section but at the very beginning, to explain what we meant by transparency, and that's all.

The Chair: Shall we move on?

Mr Marchese: We support the recommendation on page 12, correct?

The Chair: Yes.

Ms Anderson: I would just like to ensure I have the recommendation you agreed to because I know you made some comments and I didn't quite catch them all.

The Chair: I think it was just to remove the—

Ms Anderson: "Instruct the regional offices"?

The Chair: "Regional offices," again.

Mr Peters: Then you take "in their jurisdictions" out, because that meant the jurisdiction of the regional offices.

Mr Callahan: It will read, "The ministry should monitor"?

The Chair: "Monitor closely."

Ms Poole: Take out "in their jurisdictions."

The Chair: Right. That's consistent with what we had.

Next section.

Ms Anderson: Last week the committee talked about wanting some comments on cooperation among inter-ministry funding, and I thought that I would add a section in at this point to do that. I haven't written it yet but that's what I propose to do there before the "Audit Arrangements."

The audit arrangements are ones that the committee has been over and discussed. It's really sort of a broader issue than just special education in many ways, talking about the ability of the Provincial Auditor to carry out value-for-money audits of the ministry, but his inability to do that over school boards, and it's really just to establish what the existing arrangements are. I don't know whether or not the committee would like to have anything in there about the motion that they've passed to deal with this or whether this should be something that comes in kind of an overall thing that deals with curriculum development as well as special education.

Mr Peters: May I just make one quick comment? One initial step that could be taken is by taking out the word "financial" and just having "in order to require a greater level of accountability from school boards." At the bottom of page 12 we say, "The committee suggests that the ministry consider strengthening the prescription of duties under this section in order to require a greater level of financial accountability from school boards." I suggest just the removal of the word "financial", "to require a greater," and then it's up to the committee whether you want to refer back to the motion that you made, because you indicated in that motion that was passed last week that you wanted the ministry to arrange for greater accountability.

Mr Marchese: Is that the motion?

Mr Peters: That's the gist of it. I don't have the exact words, but you may want to refer to it at this point.

The Chair: Here's the motion: "The committee recommends that the Minister of Education and Training implement the necessary steps to require that school boards be subject to value-for-money audits. In doing so, the minister may wish to avail himself of section 17 of the Audit Act." So that pretty well clarifies it.

1130

Mr Crozier: Just a comment. I just got back after you finished that section and I had made a note that this was an excellent paragraph because it goes right to the point of our value-for-money audits, I felt. As long as taking the word "financial" out won't weaken that, I would agree. I kind of liked the paragraph the way it is and I was for once going to make a positive comment, but I'd missed that—as long as it doesn't weaken anything.

The Chair: I think the intent there is not to limit it to financial auditing, but rather to—a broader scope.

Mr Crozier: Our resolution backs that up, okay.

Mr Callahan: Are we going to incorporate that as a motion, a recommendation, the motion that was passed? I wasn't sure if we had.

Ms Anderson: You want to have the motion as a recommendation as well?

Mr Callahan: Yes. See, Anne wasn't sure either.

The Chair: I'm sorry. I misunderstood. Thank you for clarifying that.

Moving on to page 13, advisory committees.

Ms Anderson: The legislation requires each school board to set up special education advisory committees that have representatives from local parent associations. The SEACs are set up to make recommendations to the board about anything that relates to special education in their area. They can have a positive role. I think a lot of people feel they were very useful but that there are areas where the role of the SEAC has been not as strong as it might have been. Sometimes they get heavily involved in the development of special education plans, but sometimes the boards, I gather, don't include them very much. So there is a lower level of parental input into the development of special education within the local boards.

There is a handbook for members of special education advisory committees which the provincial parents'

association puts out that gives some guidance on the role and expectations of the SEACs. The auditor had found that not everybody was aware of this particular handbook. The ministry agreed with the auditor's recommendations that it should work with this provincial parents' association to revise the handbook and to distribute it to members of the SEACs and it undertook to take a lead role in communicating that information to the boards and to promote awareness of the handbook, which sets out those roles.

The deputy also thought that to improve the consistency and strengths and the quality of the SEACs, the ministry should also consider training SEAC members and also consider whether or not the committees' roles should be expanded, not just from establishing special education plans but also in evaluating their implementation.

This committee had some discussion about the role of SEACs and felt that the opportunity for input from them wasn't being realized as much as it could be and they want to make sure that the information the SEAC members have is consistent and that the role is strengthened. That would improve school board accountability. That led into a couple of recommendations, then: one, that the Ministry of Education and Training should ensure that all school boards and special education advisory committees are regularly informed of the role, expectations and best practices of SEACs. I don't know whether you would like to put in some kind of time period rather than "regularly." The next one is: The Ministry of Education and Training should require that each special education advisory committee be involved in the planning and monitoring of its school board's special education plans, programs and services.

Mr Marchese: I support the recommendations but point out a problem that is all too frequently the case in most school boards. One of the problems is that when you see words that are in both recommendations 4 and 5, and Ms Anderson made note of one—the word "regularly" will be, of course, interpreted differently by every board. That's one problem already. There will be inconsistencies from one end of the region to the other, I can assure you. Then you have the word "informed," and I can assure you that every board will inform its SEACs differently, from the most minimum of standards by way of passing the information, posting it perhaps, or to less than that, which, in my view, is the minimum you should do. That's the problem in terms of those two particular words in recommendation 4.

Then in 5 it's "that the special education advisory committees be involved." I can assure you again that there will be so many inconsistencies across the province in this regard, because "involved" will be interpreted differently based on whether or not boards want to involve those committees in a genuine way. Active boards will actually sit down with SEACs and talk about planning and monitoring, but some other boards that don't want the same kind of activism will simply involve them by way of informing them.

I don't know how to get around these problems, in spite of my years of involvement. It is so very difficult

unless you monitor that involvement or unless you have some kind of minimum standard. But how we get to the language, what kinds of guidelines we propose or stronger language for involvement is really the subject of some discussion. If Ms Anderson has suggestions to help us with that, it would be wonderful.

Ms Anderson: One possibility for the last one you were speaking to would be that each SEAC be an active participant. I know you still have some questions about how active "active" is, but it makes it slightly more positive than just "be involved," which is weaker than that.

On the issue of "regularly," one suggestion would be to substitute something along the lines of "annually" or "after each election" when the SEACs are in place, something of that nature, if you want to be more specific on that.

Ms Poole: I just wanted to support Mr Marchese's point. I had actually crossed out "involved" in number 5 and put "active participant." I guess Anne and I were on the same wavelength.

In number 4, I wonder if we could change it to say, "The Ministry of Education and Training should establish a policy providing that all school boards and SEACs are fully informed of the roles"—and I would use "responsibilities" rather than "expectations"—"responsibilities and best practices of SEACs." I'd certainly be quite amenable to putting in a phrase about "after every election to the board," or something like that, to clarify.

Ms Anderson: One of the issues that came up is the problem of SEAC members changing, which is why I thought you needed to have it done fairly regularly. If you got a significant turnover on the board, you're going to need to keep ensuring that the new members each time are fully aware of their role. I can certainly put in some comment about that.

Mr Marchese: I support the language changes: "Active participant" is better than "involved," and "regularly" to "annually" I think is good. Ms Poole, in relation to establishing a policy, that would be useful too. The only problem is that if you don't monitor it, whether or not you have a policy becomes almost irrelevant as well. Better to have a policy of some kind and guidelines than not to, but the ultimate problem is monitoring and making sure it's actually happening. You need a mechanism to be informed where that's a failure or where that's not occurring. I would support establishing a policy, but I still think we need—

Ms Poole: I'm sorry for interrupting, but could you add one line to number 4, just saying the ministry should be responsible for monitoring that this is occurring, or something to that effect? The only problem with adding something like that is it implies the boards will not adhere to ministry policy, which we all know is more or less true, depending on the board. But it does tend to be like Big Brother watching you and saying, "We've not only got a policy; we don't trust you to implement it." I think we just have to be a little cautious.

Mr Marchese: It's not trust. It's just accountability mechanisms.

The Chair: I take it that there's some form of consensus around that and that Ms Anderson, in her usual wise way, will draft a wording that's appropriate to capture all of that. Shall we move on from there?

Mr Marchese: I wouldn't put "fully informed."

Ms Poole: Why?

Mr Marchese: "Informed" is fine. If you establish a policy and you establish a monitoring and accountability mechanism, if they're informed, it's okay.

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Mr Peters: One of the concerns is that we are, in these accountability matters, in our audit process becoming more and more results-oriented and outcomes-oriented. If we back off into just that they should have a policy, that's one thing the committee might want to consider: whether you just want to remain process-oriented or results-oriented in this recommendation.

Ms Poole: I just see having a policy as being a step towards getting the results. For everything else we do, the ministry has a policy on it, and the policy's purpose is to achieve the results and then we can become results-oriented. But right now there are no common standards, there is no requirement that boards do it; it's just kind of out there. I think there has to be some onus on the ministry to provide the leadership, and that's why I would like to see, as Mr Marchese was saying, that this be strengthened somehow to ensure that there is consistency.

Mr Peters: It's at the committee's discretion.

The Chair: I think it's a matter of that if we understand what we want as an outcome, how it's achieved is entirely left in the hands of the ministry, whether it does it by way of policy or otherwise. We're not trying to write the way in which the ministry should operate. We've avoided doing that in the past. With the Ministry of Housing, we avoided attempting to determine how it should go about coming up with its management system it would put in place. We allowed them to tell us how they would do that.

That brings me to another point. If we're concerned about results and outcomes at the end of the day—and this is jumping a little ahead—I wonder if we should not have the ministry respond to this draft report, just as we did with the Ministry of Housing; have them come before us and give us their views on our recommendations, tell us where they're at in this process. We had them here before, telling us where some of the problems lay, and a general agreement about some of the difficulties. But perhaps we could have them respond to this and then have them come back at a further date to tell us where they are in trying to implement some of these recommendations.

Ms Poole: I look at it quite differently than you do, Mr Chair. Just when we were on page 9 and were talking about the guidelines to be provided by the ministry, we are telling them they have to have guidelines. I fail to see what the difference is between that instance, where we're telling them, "You have to have guidelines," and this one, where we say, "You have to have a policy," which is the same type of idea.

If we see a void in the operations of the ministry, I

think our job is to say—I mean, the auditor can't do this, he can't get involved in ministry policies, but as a committee we certainly can and should. It's our job to remedy voids and to recommend that the ministry have guidelines or policies.

The Chair: It comes down to wording, because ultimately we are not here to comment on the actual policy statements that are put forth or objectives that are determined by way of political processes that are in place. If the government states that its policy is to do X, Y and Z, then it's our role to determine that the outcomes of that policy meet the objectives of that policy, and to do so in a cost-effective, value-for-money, accountable way. It's a catch-all phrase.

Ms Poole: If you look on page 14, we said, "The committee wishes to ensure that the information provided to SEACs is consistent and that the role of the SEACs is strengthened in order to enhance school board accountability." By saying that, we are making the direct assumption that that isn't happening right now, or else it need not be said.

The Chair: No, in that case, we're being—

Ms Poole: We're just furthering this with a recommendation as to how we can achieve that outcome.

The Chair: But by the same token, we've also taken out the words "regional offices" so that we do not suggest they should or should not exist. For us, the importance there is the outcome, and the mechanism used could be something other than regional offices, should that not be effective. We're leaving it open so that the ministry can determine what should be its policy around that.

Mr Marchese: I tend to agree with Ms Poole, that we as a committee can choose to recommend anything we want to the ministry. They can then decide to tell us whether or not it's useful to them or whether the minister wants to do something else as a government. But it's fully within our powers as a committee, after having heard the deputy and the suggestions made by the auditor, to decide what things we should be looking at. To get to the result, we have to look at the process, so the process and the outcome are very much interdependent and interlinked. You cannot simply look at an accounting mechanism that doesn't identify what the problems are along the way.

We as a committee are identifying certain weaknesses and suggesting certain policy directions to the ministry to then have a better accounting mechanism that will arrive at a better result. But I see ourselves as commenting in any way we feel we need to, to be helpful, not only by way of policy but by way of accountability accounting.

The Chair: I don't wish to further prolong this. I just wanted to make that point. Anyway, we can go on with this. Ms Poole.

Ms Poole: Just that the auditor has provided a suggestion which I think might resolve our wording problem: "The Ministry of Education and Training, as a matter of policy, should ensure that all boards" etc. It basically says this is part of the mandate of the Ministry of Education and Training.

The Chair: Just to simply say that administrative policy is different from policy that is arrived at in a political way. I think that distinguishing feature has to guide us whenever we make recommendations. That's really what I was trying to say. That's fine, that's good. Okay, moving on.

Ms Anderson: The next section outlines the process for assessment and placement of exceptional children. Because special education is mandated for exceptional children, their identification is a very critical aspect of serving all the children with special needs. As pointed out last week, the identification criteria are based on need rather than the particular physical characteristics of the child.

A significant part of this is the IPRC process. These identification placement and review committees are established by regulation. They have at least three members who are appointed by the board, one of whom is a supervisory officer or principal. A member or trustee of the board is not eligible to be appointed to the IPRC.

Under the regulation, the process to be followed is established. The student can be referred to an IPRC by the principal, either with written notification of the parent of the pupil or at the written request of the parent. The IPRC then will obtain an educational assessment of the student and, where necessary and with the written permission of the parent, the IPRC can also, if it needs to, obtain medical and psychological assessments.

The IPRC must interview the parent, unless the parent declines, and may also interview the student if the parent agrees.

Once it's made its determination, the IPRC must notify the parent and the principal in writing of its identification and of its recommendations for placement, which could include either a self-contained class, part-time self-contained class, withdrawal or a special school.

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Following that, the parent has to give written consent that an exceptional pupil be placed in a special education program. If parents disagree, either with the identification decision or with the recommended placement, they can meet with the IPRC to discuss the statement. If they still disagree, they can appeal the IPRC determination to a special education appeal board within 15 days.

If that appeal board doesn't resolve the issue, the parent can then apply to the Ontario Special Education Tribunals for resolution. That tribunal's rulings are final. If the parent refuses to give written consent or declines to give written consent but doesn't initiate an appeal, then the board can direct the principal to place the exceptional child as recommended by the IPRC and to notify the parent of the action they've taken.

Once the pupil has been placed and the individual program is developed, usually by the classroom teacher, based on the needs that have been identified, the IPRC must review that placement at least once every 12 months to ensure that it meets the needs of the pupil, and the placement can't be changed again without the written consent of the parent.

There has been some criticism of the IPRC process

over a number of years. Some parents find the process to be intimidating. Others find that there's insufficient consultation and communication with the parents and teachers. The Provincial Auditor was also informed by some boards that in some cases the number of referrals of students to the IPRC was limited by the number of spaces available for exceptional pupils.

The ministry is aware of these criticisms and has initiated an evaluation of the process by the Advisory Council on Special Education. Among the issues under review are parental involvement, the parent guide, the role of advocates, the pupil role and the decision-making process.

From the discussions during the hearings, I thought this committee was very concerned, particularly with two elements: One was the lack of accessibility for parents and the other was the inconsistency in the assessment. There were also other issues discussed around learning disabilities, the definitions of exceptionalities and the policy of integration within the classroom. Each of those issues is then discussed in more detail.

Under accessibility, although there are several points in the process that I've outlined in which parents either can be or must be included—that's in the referral and the assessment, the notification of identification and acceptance of the placement—members of the committee still felt that there were concerns that the process remained inaccessible to many parents.

Some parents may be unaware that they can initiate the identification of their child as exceptional.

Mr Marchese: Most parents.

Ms Anderson: Most parents. Others can be intimidated when they are in a room full of experts at the IPRC meeting. Still others may have difficulty either in communication or in lacking in confidence in going into those meetings.

The ministry points out that the regulation not only specifies the process but also requires each board to prepare a guide for the use and information of parents in order to address some of those issues. The parent guide includes information about the circumstances in which a pupil is referred to an IPRC; it outlines the procedures that the IPRC must follow; it explains the right to appeal and explains that written consent by the parent must be obtained.

They commented that with all the thousands of IPRC cases held in the first eight years after implementation of Bill 82, there have been less than two dozen tribunals and only four other civil actions. So they feel that in fact the process could be considered to be quite successful, though they do concede there may be some selection bias in the parents who actually bring cases forward.

The committee suggested that the use of parent advocates would improve accessibility and also that it would be helpful if school boards as a matter of course gave out information to the parents on the options available to them and suggested organizations that might be helpful to the parent.

The ministry agreed that the use of an advocate might be a way to improve accessibility. It's one of the issues that's being looked at by the Advisory Council on Special

Education. The ministry said that it encourages boards to allow parents to bring an advocate, although it's the decision of the chair on whether or not an advocate can come to the meetings. However, the auditor's review found that while many of the boards visited did allow an advocate to attend, there were some that did not.

With respect to notifying parents of their options and support groups, most boards include in their parents' guide a list of the associations within their jurisdictions and some include information about placement options. In some cases, the SEACs are active in informing parents about their rights and encourage them to initiate the IPRC process. This of course will be dependent on the strength of the SEAC in that particular community.

The deputy suggested that this whole question of demystifying the education system and the broader question of parent participation would be something the new Ontario Parent Council would be looking at.

I felt the committee was concerned, despite the minister's comments, that the IPRC process was still inaccessible to parents and that many parents continue to feel cut off from decisions that affect their child. This was a concern that has been around for some time, and it's reflected in the recommendation of the select committee on education in 1990 concerning the IPRC process recommendation that included that "All parents should have equitable and adequate access to assistance and advocacy services."

Also of equal, if not greater, importance is the day-to-day communication between the parent and teacher to ensure continuity and consistency so that the parents are fully aware of the ongoing development of the educational plan for their child. I felt it was very important that these communications gaps be eliminated so that the parents, the teachers and the school boards could all work together to provide the education appropriate for each child's needs.

The recommendations for you to consider are:

"6. In order to improve communication between parents and the identification, placement and review committee, the ministry should ensure that: parents are given the right to an advocate during the IPRC process; the IPRC advise the parents before each meeting of this right; and each school board provide the parents with access to an interpreter where necessary."

"7. Each school board should advise parents annually of the existence of the parents' guide, and in particular point out the parents' right to refer their child to the IPRC through the principal. The parents' guide should include a description of the full range of options."

Maybe that would be an appropriate place to stop for comments.

The Chair: Since I suppose we're running out of time, that is a good place to stop.

Mr O'Connor: I think we've got a vote coming up.

The Chair: As soon as the bell rings we will adjourn, but there are a few minutes remaining, so last comments on this section.

Mr Marchese: I have a few things. First of all, on the top of page 18, it is a serious problem. The ministry says

that there are only about 12 appeals, and because of that they said this can be considered to have been quite successful. I happened to be on one of those committees that particular day, just substituting in, but that paragraph doesn't reflect what some of us might have been saying.

I say that 99.9% of the Portuguese students end up in special education, and their parents have no clue about an appeal process. Then, generalizing it across Ontario, I suspect 90%, if not 95%, if not a bigger number than that, haven't a clue about the fact that they can appeal. So when they speak about the fact that there are only two appeals and this is really successful, they're quite wrong, to be truthful about the whole problem.

My sense is that we should be reflecting our concerns as a committee as opposed to reflecting what the ministry is saying. I know we say that some committee members have concerns about that. That's my first point.

On the second point, in the third paragraph, I wanted to identify the fact that, "The ministry said that it encourages boards to allow parent to bring an advocate." Here's an example where a ministry says, "We encourage it."

We don't have a clue what that means. The ministry may be encouraging it, but we don't know whether it's in writing, whether boards are actually doing it, who is doing it, and then the final ultimate problem is, it's left to the IPRC chair to decide whether there should be an advocate or not. Well, who in this province is doing that? We don't have a clue. Of course, it's uneven across the province.

To get to the recommendations, I support all of the recommendations that are there. The only problem is that unless we explain to parents in clear language, multilingual, but much more than just simply saying, "Here, we're giving you the paper, you have a right to an advocate," it's not going to work. We have to get it more than simply saying, "Give them the paper, tell them they can have an advocate," because most of them, even after they get the paper, won't understand what it means.

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Mr Frankford: I wonder whether IPRCs provide any statistical breakdown of the cases that are heard and the disposition. It would seem to me that could be very useful if this was made available so people could get a sense of what is happening, of the breakdown of the exceptionalities we're dealing with and the recommendations that come out. I think this could also be very useful information in the implication that the amount of referral may be proportional to the resources available, which I trust is not what is intended and that the availability of special education is strictly in accordance to need.

Secondly, I'm wondering, in the term "advocacy," whether in a number of cases the best advocate would be the classroom teacher. I realize there may be other times in which this might be the contrary of what people wanted, but I would assume there are a fair number of classroom teachers who would be very effective for assessing the child and knowing about what should help.

I see my colleague shaking his head, and he certainly has more experience than I do in this, but I would think at least this might be something which would be usefully

discussed with representatives of classroom teachers in the Advisory Council on Special Education. It probably is being done anyway, but I would just like to put that on the record.

Mr Crozier: Just a very quick question with regard to the boards that can refuse the admittance of an advocate. What if I were a parent and I insisted on one? Can the chair of the committee simply just say, "You can't"? Is there a legal question here or—

Mr Marchese: Remember, the ministry encourages that. If the parent empowers himself or herself to say, "I want to be there," it would be difficult then for the chair, who should know the rules, to deny that right to the person to do so. It's just that, for the most part, parents won't even ask.

Mr Crozier: In any event, we're recommending it, so I guess that's the main point.

Ms Poole: I guess the alliance between Mr Marchese and I continues, because I agree wholeheartedly with his comments and I think the top paragraph on page 18—

Mr Anthony Perruzza (Downsview): Now's a good time to join our party then, Dianne.

Ms Poole: That's not the point. The point is that I think his points are quite valid, and you cannot look at the appeal process and the numbers that go into it as a valid indicator of whether the IPRC has in fact been accessible, whether the information has been provided, whether the advocacy has been encouraged and whether the parent is comfortable with the process. I'd like that paragraph strengthened rather than just taking so much of what the ministry says as an indicator.

On page 17 where it talks about the intimidation process, I've been through IPRC and I was intimidated, so I can imagine—well, not very much, but I was a little intimidated—if somebody had language problems or if they had difficulties articulating their concerns or if they weren't aware of their rights, how they would feel.

I don't like the words "the level of social sophistication." It just grates the wrong way. I wonder if we could say instead—this is the seventh line down under "Accessibility" on page 17—"Others are intimidated when confronted by a room full of experts at the IPRC meeting, or may not possess the information, the level of comfort or the confidence needed in order to participate" rather than "social sophistication." I think that doesn't express what I'd like to see.

I am very pleased with the recommendations concerning advocacy and I think the fact that the ministry has to

ensure it is extremely important because I'm not sure how far that encouragement goes or whether in fact the school boards are seeing the ministry as a strong advocate of the process.

Mr Marchese: Where are the words "social sophistication?"

Ms Poole: It's on page 17, top paragraph, the seventh line down.

Mr Marchese: Although we know what you mean.

Ms Poole: Yes, we know what you mean. I just don't think it's a very comfortable phrase to use. It seems somewhat elitist or something.

Mr Peters: A very small technical point: On page 15, the third paragraph, you talk about the placement options at the end. One of the placement options that is currently not mentioned is the full inclusion in a regular class. Because of the repeat of the word "inclusion," I would recommend, if the members agree, "Placement options are full inclusion in a regular class, a self-contained class," etc. Self-contained is where there are only children with special needs.

Mr Marchese: I'm sorry. Your wording again?

Mr Peters: Is to include that one of the options is "full inclusion in a regular class."

Ms Poole: By that you mean there wouldn't be any special treatment needed?

Mr Peters: That's right. That's full integration.

Mr Marchese: Full inclusion means you don't take him or her out of the classroom for any kind of—

Ms Poole: In other words, that the IPRC has found the child is not in need of special education assistance.

Mr Peters: That's right, yes.

Mr Peall: No, no, no. That is the placement option that may be best suited, and that's what the ministry is trying to encourage: more of that. It doesn't mean it wouldn't be support services within the classroom. One of the options would be to put them with all regular students and serve them that way, and that is a viable option an IPRC can choose.

Ms Poole: In fact, with the—not gifted, what is the word?—the enriched students, that is how they deal with it. They are in a regular class.

Mr Marchese: Are we agreed, we are adjourning?

The Chair: I think we will adjourn.

Ms Poole: Yes. Rosario and I agree we can adjourn. The committee adjourned at 1208.

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- *Tilson, David (Dufferin-Peel PC)

**In attendance / présents*

Substitutions present / Membres remplaçants présents:

Mathyssen, Irene (Middlesex ND) for Mr Bisson
Wilson, Gary, (Kingston and The Islands/Kingston et Les Iles ND) for Mr Owens

Also taking part / Autres participants et participantes:

Office of the Provincial Auditor:
Peters, Erik, Provincial Auditor
Peall, Gary R., director, education and training, housing and municipal affairs audit portfolio

Clerk / Greffier: Decker, Todd

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service



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Troisième session, 35^e législature

**Official Report
of Debates
(Hansard)**

Thursday 28 April 1994

**Journal
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**Standing committee on
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**Comité permanent des
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 28 April 1994

Jeudi 28 avril 1994

The committee met at 1019 in committee room 2.

The Chair (Mr Joseph Cordiano): We should start this morning's proceedings. I'm sure some of our other colleagues will be joining us very shortly.

Mr David Tilson (Dufferin-Peel): Before you commence, I just want to put the committee on notice that I will be formally giving the committee a notice of motion, in the proper form that is coming shortly, with respect to this committee requesting the Provincial Auditor to do an audit on the Houselink project.

The minister had indicated in the House that this matter would be referred to this committee. I understand that hasn't been done, so presumably members of the government would agree. I'm preparing it in the form of a notice of motion, unless the committee would agree now to debate that motion to request the auditor to proceed; otherwise, I would be requesting that motion be debated next week.

I don't know whether the government members of the committee specifically would be prepared to discuss that now. It's obviously out of order to discuss it now but if they wish to, I'd be agreeable.

Mr Paul Wessinger (Simcoe Centre): I suggest we discuss that next week. It may not require much discussion, Mr Tilson, but not being a regular member of the committee, I don't think I'm in a position to—

Mr Tilson: Okay. The reason I say that is that the Minister of Housing has said on a number of occasions, or almost every time she answers a question on this topic in the House—it's almost as if it has been assumed that it's being referred to public accounts; she said that on different days—and I'm surprised, quite frankly, that we haven't had—not knowing the process, that presumably some sort of referral by the minister to this committee has not taken place. I don't know whether any of you have been informed of that.

Interjection.

Mr Tilson: The clerk informed me this morning that he hasn't received anything. I don't know whether you're prepared this morning to discuss it; however, you're quite right, it would be more proper to discuss it next week.

The Chair: Since there is not unanimous agreement, we will take your notice of motion when it arrives and this matter will be dealt with next week.

DRAFT REPORT
SPECIAL EDUCATION

The Chair: On this morning's agenda, we have the draft report on special education. Where were we when

we concluded last week's meeting?

Ms Anne Anderson: We were finishing page 19 and starting page 20.

The Chair: Perhaps we could continue at that point, and we'll turn it over to Anne Anderson.

Ms Anderson: Unless the committee wants to discuss the recommendations at the end of page 19 any further, I propose that we go on to the next section, which is on assessment, on page 20.

This section talks about both educational assessments and the health and psychiatric assessments that are used for identification and for the program planning in special education.

The auditor had noted that the education assessments are generally conducted before an IPRC referral, usually in conjunction with a regular classroom teacher. There are requirements outlined too in the special education information handbook that say that these education assessments include a variety of things such as teacher observations, formal and informal teacher tests, diagnostic and achievement data and parental observations. The board can also hire medical practitioners, psychologists, psychiatrists, psychometrists and others to perform psychiatric and health assessments as these are needed to help identify the special education children.

In the course of his audit, the Provincial Auditor noted that there was a wide variation in the access to these health and psychological professionals and he gives some data concerning that. For example, the number of specialists available could range from 542 pupils per specialist to 7,000 pupils per specialist and the number of assessments could vary from one assessment for every eight pupils to one for every 2,500 pupils. This is among the boards that they visited.

There can also be lengthy waits for specialist assessments. One board had established a maximum number of referrals after which schools could not refer any more pupils for assessments. As a result, the auditor had recommended that the ministry review its staffing levels and its existing practices for health and psychological assessments and should consider guidelines for the frequency of those assessments and examine the cost-effective options.

The ministry, in the course of its discussions here, agreed that there was some need to develop information to support a more efficient management of special education and improve the monitoring of how the system uses its human and financial resources. It has undertaken to do some of this in the education finance reform

project, in which the beginning step has been to assemble a database of each board's expenditures and staff levels. They're carrying on from there now to consider what resources should be funded, whether there are enough of those people in the system etc.

Mr Tilson: Ms Anderson, we discussed a number of weeks ago the philosophy, I believe, of—currently the funding for this type of assessment program comes from the Ministry of Education, and we discussed the possibility of whether or not the—obviously, funding is a problem with all of education. Funding's a problem with everything, I suppose.

One of the things that has been looked at is the issue of funding coming from other ministries, whether it be the Ministry of Community and Social Services or almost anything. There's the philosophy, for example, the issue of law and order—should education with respect to law and order come from education?—the issue with respect to these types of psychological assessments which really come a long way with respect to education as such and may be indirectly affected by other ministries. So the question is whether or not the committee would consider the development of a philosophy of funding from not just the Ministry of Education but other ministries.

Ms Anderson: That was discussed, as you said, a couple of weeks ago. At present I had considered putting a section on that in the section that deals with the cost-effective service and the funding and have drafted up an additional section which would go into the middle of page 12 in your paper, before the audit arrangements and after the financial transparency.

I was drafting up a section that would look at the need to integrate across different ministries the different services and to look at whether or not there were different ways it could be funded that would be more effective and more efficient, and concluding with a recommendation that we should consider reallocating among ministries involved the responsibilities for the range of services that are provided for children with special needs.

I don't know whether that would address some of the issues that you're talking about. It sort of addresses the funding side of it more than the specifics of any one issue of whether it's assessment or others.

Mr Tilson: I don't know whether the issue is strictly one of funding or whether it involves other things. The issue of psychologists: There are all kinds of non-academic people who are assisting in the development of our education system that 20 or 30 years ago, one might think, came from somewhere else.

Traditionally one would think that teaching is teaching and that's that, but now we're into other things because it has become a very complicated process; and whether it shouldn't be just funding but should be perhaps personnel; the whole topic of personnel and the training of that personnel and the retraining of that personnel. The subject of staffing is dealt with here, I believe. The issue of staffing is dealt with in this report, and whether that should be connected to other ministries as well.

I don't know. It's just that I think that education has got so complicated that it cries out to be looked at for

some other way of doing things, not only in funding but in staffing. Do you have any thoughts on that?

Ms Anderson: Perhaps I can work through this section and see if I can incorporate some of those ideas in here as well, to put that in.

1030

The Vice-Chair (Ms Dianne Poole): Before we move on, Dr Frankford has a comment.

Mr Robert Frankford (Scarborough East): More a question or a request for clarification. I know there are no figures breaking it down by region or specific boards, but I wonder if this gives a true assessment of the situation. I'm thinking of what I believe is the case around psychiatrists in northern Ontario where I thought the figure for the whole region was something extraordinarily small. So I wonder if this in fact reflects the situation or if it's worse than that.

I'd also wonder about the availability, even in sheer numbers, of psychologists and other professionals. I don't think the question I'm asking you even gets into the question of the distribution, and presumably in underpopulated areas there must be real problems of access even if the ratio of professionals to population were to be the same as in metropolitan areas, which I doubt it is. If the researcher can clarify that for me, if it is comparable, that would be fine.

The Vice-Chair: Dr Frankford, just so I'm clear, Anne has put in the second paragraph on page 20, "The Provincial Auditor noted a wide variation in access to these health and psychological professions among boards." Would you like to see some examples? Would you like to see that strengthened to say that in certain areas of the province they virtually have no access or very little?

Mr Frankford: If that's the case, I'd like to give some better indication of the ratios.

Ms Anderson: The ratios that I have are from the Provincial Auditor's report. I will talk with them and see whether there's more detailed information that could be incorporated in there.

The Vice-Chair: Gary, are you going to comment on this? The ratios used were the ones from your report. Do you have specific examples or did the ministry provide you with information showing the disparity?

Mr Gary Peall: The education finance reform project may have a better idea on the disparity now. The ratios in the report for the committee's consideration are from our report.

The one thing I would comment on when looking at these ratios, though, is that some boards have in fact had better success than others at tapping the resources of the community and coordinating with other Ministry of Community and Social Services functions to try to buy some of these assessment services rather than hiring the people themselves. So while the ratios for the most part are valid, you have to keep in mind that you can't always tell when they're buying the service versus having the employment.

In the underserved areas like you're describing in the north, I know the ministry does have a very specific

program focused on that to try to get greater coordination among the ministries up there to provide those services to boards in remote locations. So there is something being done there, but whether it meets all the needs, I'm not sure.

Mr Frankford: Will they be sharing the specialists, so that the ratio could look all right but in fact it's the same person being shared?

Mr Peall: Yes, they definitely could be sharing services, and that was the whole point, to provide a pool of services that could serve a number of boards.

The Vice-Chair: Any other comments on this section before we move on? We're dealing with the assessment section, pages 20, 21, and the top of 22.

Mr Rosario Marchese (Fort York): On page 21, in the middle paragraph, I agree with the statements that are there, where it says in the second sentence, "The experience and knowledge of the individual pupil by the parents and teachers are important inputs into the assessment, both for identification of needs and for establishing individual programs to meet those needs."

This is an important statement, because often we evaluate students in an isolated manner. I think it's important to get a sense of the kind of experience or knowledge the parents can bring to the assessment of a child. So I wanted to agree with that statement and to say that for the next sentence we shouldn't say "culturally deprived children."

I know what we think we mean by it, but I'm sure that everyone's cultural experience is very rich and that it can be defined rather differently by all of us in terms of whether there's a norm about what is culturally okay. Perhaps even if we say "disadvantaged" instead of "culturally deprived" there, it would be fine, and then the rest of the sentence would flow all right from there.

The Vice-Chair: It's the same point made last week about "social sophistication" being used. It just might be taken the wrong way.

Mr Tilson: It's rather elitist.

Mr Marchese: Yes, it would be.

The Vice-Chair: I assume, hearing no other comment on that particular point, people are in agreement.

Mr Tilson: I agree.

The Vice-Chair: Any other comments before we move on?

Then we'll go to "Learning Disabilities," the top of page 22.

Ms Anderson: Can I just confirm that people are all right with the last recommendation on page 22? It's essentially just addressing the issue of continued communication.

The Vice-Chair: Any other comments regarding the recommendation?

Ms Anderson: The next section, on learning disabilities, was one that was discussed a fair amount during the hearings. The committee was particularly concerned about people who had learning disabilities, that these people should have their needs identified and met as early as possible to enhance the likelihood that they will stay in

school and continue through.

The ministry gave some data on this, noting that "learning-disabled were the largest group of special education students, accounting for around 44% of exceptional pupils." The committee also had discussed many times the question of the high percentage of children with unidentified learning disabilities in correctional facilities and "emphasized the need for early identification of learning disabilities as a preventive measure." The ministry had indicated that students in institutions "are identified in the same manner as other children, that is, through the IPRC process."

There was also discussion about section 35 of the Education Act, dealing with pupils who are hard to serve. This section had been repealed and there had been some concern expressed about how those pupils would be served following the repeal. The ministry's response was that the elimination of that section was not cost-cutting but because it felt the school boards now had sufficient expertise to deal with those situations, and they had made a number of commitments about how to do that.

Firstly, funding was going to continue for pupils who had already been declared hard to serve. "Secondly, the ministry has expanded the number of places in provincial schools, especially at Trillium...; nine additional pupils have been approved for admission. Additional funding will also be available to school boards that take hard-to-serve pupils." Finally, the Provincial Committee on Learning Disabilities, which is a committee that "currently admits pupils to demonstration schools": The ministry will be developing a regulation for that committee which will be serving "as the gateway for hard-to-serve pupils" as well as its original tasks.

Any comments on that section?

The Vice-Chair: So, Anne, there are no recommendations stemming out of the section entitled "Learning Disabilities"?

Ms Anderson: Not that I have. If the committee would like to put some, I'm happy to hear them.

Mr Marchese: I didn't really think about the kinds of recommendations one can make to this section. It reads well enough. I just wanted to make a comment on the last paragraph.

In my long experience, I'm one of those who is considered a critic of labelling. Not that labelling in itself is harmful; it's what happens once students are labelled. That's where the damage happens.

1040

When a child is gifted—my daughter was in a gifted program for a couple of months, or a year—I wasn't very keen on separating children based on their giftedness because, whether you're at the top of intellectual giftedness versus the bottom of it, that labelling separates them. They separate themselves in fact. If they're at the top of the intellectual scale they say, "We're better." They just automatically understand that group is better than the others.

That in itself creates a terrible division between themselves and the others, so the other ones at the bottom feel the same kind of separation from the rest. They know

they too are different and many of them become very comfortable in the fact that they're in that special education kind of category. It's safer, secure, people are more protected and they tend to want to stay there sometimes even if it's not for their own good.

It's a long discussion, of course, but I wanted to simply make the point that separating, labelling creates many, many harmful effects for children to the extent that sometimes they can't get out of it. They tend to stay there for a long, long time, year after year, and then they become candidates for what we call in high schools basic level schools, vocational schools or technical commercial schools and that's the real danger.

It's a challenge for every teacher, it's a challenge for every school board, on the one hand, to do the right thing, which is to say identify early and deal with it, and to then move on to make sure that in fact those children are succeeding in getting out so we don't create a sense of creating a special education kind of empire, which often happens in some systems.

I raise that as a way of identifying a problem I've had to deal with for a long, long time, and to suggest that the solutions are not easy either in terms of how we deal with it.

Mr Tilson: I have to agree with you, but it's always difficult. It's an interesting debate, but that topic has been debated over and over. A large number of people would disagree with that. Most people progress at different levels.

But you're right and I happen to agree with you. It's just that it's a problem that there are many educators and non-educators, parents, who disagree. They feel that their child has been held back or their child has progressed. It may have slowed up their progression at a particular period of time and now they're ready to move on. As you say, it's a very difficult issue.

The Vice-Chair: Could there be a recommendation concerning the IPRC review? As you know, they are required to do a review on an annual basis to see if there have been changes, whether in fact the child is still suitable for the program. Does that particular review have to be more cognizant of whether children's needs have changed or—this is just a suggestion.

Mr Marchese: It's not a bad suggestion, in fact, because it makes the system and teachers a little more accountable: "Tell us what you have done. Tell us the progress. Can we measure the progress they're making? If so, why aren't they moving on, why aren't they moving out of it, or what are we doing?" They're supposed to be doing that anyway.

The Vice-Chair: I think your point is valid. I'm sorry, I'm Vice-Chair so I probably shouldn't even say anything, but—

Mr Marchese: That's all right.

The Vice-Chair: As long as members don't have any objection. I know I've received these forms where they have said, "We have reviewed your child's placement and we have decided to recommend that they continue on for the following year." There is never any explanation of progress, any written discussion of what has occurred

over the past year, whether changes are necessary. It almost seemed like a pro forma. They don't actually invite parents to participate really in the review—

Mr Marchese: They never do that.

The Vice-Chair: —so I don't know whether it was pro forma or they had extensive discussions, but certainly at the end of the line when the parent gets that form back, there's nothing in a written way to explain or to justify their decision.

Mr Marchese: I agree with you. If we could formulate a recommendation that talks about exactly what you're saying, it would make the whole system more accountable. In fact, if we could involve the parent in that review, that's even better. The problem is that involving the parent who doesn't quite understand what is going on is not helpful. That's where you need an advocate.

The Vice-Chair: Which was the previous discussion.

Mr Marchese: Exactly, in terms of having the parent who then understands and an advocate who is very knowledgeable about educational learning and development able to say, "This is interesting," or "This is where we're failing, and this is where we're making progress," and some suggestions can come out of that. But it does trigger an accountability mechanism if we did that, I agree.

Mr Tilson: I agree on an accountability mechanism, but I'm certainly not in favour of developing a system of advocates. If the system's that complicated that we can't explain it, then we'd better find another system. We can't afford advocates. That's what teachers are for.

Mr Marchese: This is very true.

Mr Tilson: Maybe that's our problem. The system's become too complicated.

Mr Marchese: There are differences in systems. If you are in middle-class areas, because of the intimidation of that, teachers work differently with parents, and they automatically do what they think needs to be done to protect themselves. There's a built-in mechanism. In some other areas, where it's a working-class area, the built-in mechanisms aren't there. So how do we help that?

We don't want to make it a difficult job for teachers. We just want to help them. How do we help the teacher and the parent do a good job? This mechanism helps the teacher, because when students do better, their life is made easier. When parents are involved, learning is made easier for the student and the teacher. It's a mechanism that is devised to help everybody create a better learning environment and a better behavioural environment so teachers don't have the problems they sometimes experience.

The Vice-Chair: Just to clarify, we did have quite a long discussion about this last week, and it was envisaged that a number of the associations out there—for instance, there is a very active association for the learning-disabled—would be the one to come in and act as the advocate. It wouldn't be adding another layer of expense or bureaucracy; it is using resources that are already available. But people should be allowed to bring in their advocate and in fact should be told they have a right to

bring somebody with them and that should be stressed, as opposed to setting up a new layer.

Mr Wessenger: It's just having the ability to bring in a resource. That's what we're advocating, to bring in a resource that already exists, not creating a new—that's right.

The Vice-Chair: I think you had a question.

Ms Anderson: It's a question really of the location of this. I think Mr Marchese was talking about it in relation to "Defining Exceptionalities." Was that the section you were discussing? I'm wondering whether you would like to put the suggestion about the annual review in "IPRC Process" further back in the paper, because "Defining Exceptionalities" really just talks about the definitions and the need for them. For example, one suggestion is that it could go in the "Assessment" section, because it seems what you're talking about really is to reassess every year to ensure that the children are correctly assessed and correctly placed as they progress through the system. Or would you like to be part of "Defining Exceptionalities" in terms of sort of readjusting the definition of exceptionalities?

The Vice-Chair: Technically, under the act right now, they are to be reassessed every year. The concern is more that there is no accountability mechanism to ensure that the assessment has been a full one, that they have measured progress, that they have ensured that the child or the young person is still suitable for that program. It's not creating an assessment; it is ensuring that what the Education Act mandates is actually happening.

Mr Marchese: I think it should be there as well, where you had suggested.

Ms Anderson: If I put it on page 22, after recommendation 8, have another paragraph outlining the discussions you've had just now, and then come up with a recommendation on that.

Mr Marchese: I think it would fit.

1050

Ms Anderson: Okay. Then in "Defining Exceptionalities," the Provincial Auditor had looked at one of the problems as being that there were inconsistencies in the definitions. Mr Callahan earlier on had talked about wanting to include some examples, such as Tourette's syndrome. He was proposing to put in another paragraph after the second paragraph on page 24 which would just address that.

I had also proposed a recommendation which, in view of your discussion, I'm not sure is the correct one now: updating the definitions in the handbook and making sure they cover all the special needs. This is a recommendation the auditor had and it was something along the lines of, "That the ministry should revise the definitions and categories of exceptional children identified in the Special Education Handbook so that all students who have special needs can consistently be identified as exceptional." One of the points was that some people were being missed because they were not in the definition.

The Vice-Chair: Isn't there a difference, though, between definition and labelling? I don't see any problem with your having the—

Mr Marchese: Neither do I. The kind of discussion we had doesn't take away from doing exactly what you were suggesting or what Mr Callahan was suggesting. The question is what happens after we have named the problem. That's usually when a problem begins. But I agree with your including that.

Ms Anderson: Okay. Then I propose to go on to the next section, which is "Integration." This is an issue that's been around for a little while. In 1991 the Minister of Education expressed her support at the time for integration, saying it should be the norm wherever possible, and the ministry had started to implement that, had put out a discussion paper to receive input on things such as how to implement it, how to strengthen the role of parents, how to meet the various implications of that. The result of that discussion is still under way, I understand.

There were data in the paper that talk about the number of students who are currently integrated into regular classes, that being 66%, and a further 15% of exceptional students are partially integrated. The Provincial Auditor had noted there was some inconsistency in that.

The ministry is continuing to work towards the integration of exceptional students in regular classrooms, the main challenge being to find a way to do it, to implement that policy best.

The deputy had commented too about the need for implementations research and trying to get feedback from teachers as they modify programs according to their ongoing knowledge. They also pointed out that integration hadn't been an issue in the small, isolated boards, mainly because those boards had had to deal with the problems and had found creative ways to place exceptional students in their regular classroom.

The committee had some discussions concerning the issue of integration and didn't come to a consensus; I didn't feel they had, anyhow. I've just put a paragraph saying they generally support it, although there are some reservations, that some people felt the board should retain a variety of placement options rather than having total integration. Is that satisfactory for everybody?

Mr Marchese: To comment on the whole issue, I really believe integration is a better model than to segregate students completely. On the other hand, I argued that if you integrate without support, it's not a better system at all; you're creating a system equally poor to the one we have now. If you integrate without supports, you are going from one extreme to the other. The point is how you achieve a balance between these two approaches. My sense is, yes, integration, and the balance is making sure that students who are not doing well, for a variety of different reasons, are getting the ongoing support of the teacher, the students and other resources that should come to the classroom.

That's the comment I would make. We could have made a recommendation, if people felt strongly about that, based on the principle of integration versus not integrating, but if there's no agreement on integration in general, then I would accept the last paragraph as a fair assessment of what can be said on this topic.

The Vice-Chair: If there are no other comments, I'll just add that I believe exactly the same as Mr Marchese about having integration without the necessary resources to make it effective. I don't think it does a service to any of the children if the classroom teacher is simply stretched to provide for all these various needs without the resources behind the teacher to ensure that it's effective. I certainly wouldn't have a problem with incorporating a comment supporting Mr Marchese's statement.

Mr Erik Peters: May I briefly speak on that? We might wish to take a look at recommendation 10 on page 28. It does contain the words "integrated classrooms," and there may be, in light of the recommendation you just made, a conflict between that recommendation and the statement.

Mr Marchese: Why is it a conflict?

The Vice-Chair: No, I think it supports it because it's saying we have to have a minimum.

Mr Marchese: Yes, that there should be a minimum of support.

Mr Peters: Sorry. I read it as more wide open than what was previously—

Mr Marchese: No.

The Vice-Chair: They don't have any minimum levels right now. There's nothing to ensure that the resources are there. That actually supports it.

Mr Peters: Fine, thanks.

Mr Marchese: And anything above a minimum level of support is great, but at least that, to make integration work.

The Vice-Chair: Even if you just added a statement at the end of the section on page 26 stating that committee members felt very strongly that the necessary resources had to be in place—

Mr Marchese: That we support integration as a principle but that resources and training and all the things that come with it be made available to make it work, but it still would say—I don't know, Madam Chair, what you or others think about the whole idea of retaining a variety of placement options. If we say that as a general principle and then say "retaining a variety of placement options," we sort of contradict the principle. Do you agree that we should simply stick to the principle of integration with the supports and training that are needed to make it work, and drop this?

The Vice-Chair: There was a line in the minister's statement in 1991. It says that the integration into local classrooms should be the norm in Ontario wherever possible. I think it suggested there were cases in which integration was not to the benefit of the child. I think all the "variety of placement options" said is that you can't have total integration, even with all the resources, in all instances. That's how I interpret it.

Ms Anderson: I put "some committee members" for this second bit about retaining a variety of placement options, because the need to do that seemed to come from just a few members. If you wish, I can take out "some" and include it as the whole committee, which is a

stronger statement. "The committee generally supports the policy, [but] some committee members believe it is important that boards retain a variety of placement options" was implying that it wasn't necessarily the whole committee that believed that. I don't know whether you agree with that or whether that would help your position.

Mr Marchese: I think you're right. I tend to believe that you need some variety of placement options as well. I wouldn't want that to be interpreted as the norm, but yes, you do need some different placements. So I'd take out "some" and include that, and that would be fine.

Ms Anderson: Okay. The next section is "Teacher Training and Support."

Mr Peters: May I just comment? This is what I meant by the contradiction. In one place we talk about the options, and then when we talk about the training, because that's a full recommendation as opposed to just being in the text, it could be interpreted that that is only one of the options. You may wish to reword recommendation 10 to read, "The Ministry of Education and Training should establish minimum levels of support staff required"—not "in integrated classrooms" but—"where the integrated classroom option is selected." That way, you leave it wide open as to the option, and you want support where the integrated option is selected.

1100

Mr Marchese: You see, the point is that we're moving towards integration, so integration is not just an option, it's the norm on the whole. It's the other placement variety that hopefully will become not the norm but rather the exception. The way you phrase it makes it difficult for me, to say "required where integrated classrooms are the option." Phrasing it that way creates the impression that that's just one option of many.

Mr Wessenger: We already have the situation where there is the expertise where you have a special class. Anybody teaching a special education class does have the training. The problem is that the regular classroom teachers don't have the training. That's the way I interpret the text, so that's why I think the recommendation should stand. We don't think there's a problem with the special classes; there's a problem with the integrated classes.

Mr Marchese: Mr Peters, can we just review these two pages and see whether, in reviewing the text, we can agree or disagree with what you say?

Mr Peters: I'm agreeing with you, actually, but what I was concerned about was that the sentence on page 26 read "that it is important that boards retain a variety of placement options," and that is in the text. If the committee makes a recommendation that lists only the integrated classroom, it may be interpreted in some way—while this is just text—that you really are moving in one direction only.

Mr Marchese: True, but we did agree to keep that in as it is, that we support an integrated approach but also support the idea that we need to retain a variety of placement options.

The Vice-Chair: You see, the difference is that right

now, if you choose another option and you do not have the child in an integrated setting, they have to have the resources.

Mr Marchese: They get the resources now.

The Vice-Chair: They have to have specially trained people. The problem is in the integrated classrooms, where quite often the teacher doesn't have the resources. This just highlights the integrated classrooms. It remains silent about the other situations because it's not so much a problem.

Mr Marchese: Because they get the support already through special education and whatever, psychiatric or social worker support. They get that already in the other options.

The Vice-Chair: Maybe after Anne rewrites that particular section we can take a second look at it and just make sure we're consistent throughout. It may well be that after it's all written out, we would support amending either the recommendation or the way it's worded.

Any other comments before we leave "Integration"?

Okay, "Teacher Training and Support."

Ms Anderson: The section really speaks to many of the issues you've been talking about. It starts off with the importance of the classroom teacher in being able to deliver the special education that's needed. Currently, teachers must have special education training to teach pupils in a special education class, but those who are teaching them in the regular classroom aren't required to have any additional qualifications beyond their basic teacher's certification.

The Provincial Auditor found that the majority of teachers of special-ed classes held these special-ed certificates, but that most who taught both regular and exceptional pupils hadn't taken any special education courses unless their school board had provided them in-service. There's no requirement that the teachers either have special training or—I gather that many do go through community college courses.

A lot of the teachers who were interviewed by the Provincial Auditor felt that additional training wasn't necessary if the level of support was provided. However, as we mentioned before, the level of support was highly variable among the number of school boards that were visited, and the auditor had expressed some concerns that the level of resources left open the possibility that the needs of some exceptional pupils weren't being met. He gives some examples of ratios in there.

Some of the support, as we've talked about before, also is provided by other ministries, particularly Health and Community and Social Services. This requires collaboration between the government ministries. While in some communities the ministries collaborate quite well in providing assistive devices, for example, in other cases this isn't always the case and the boundaries between the ministries remain fixed.

There is a reactivated committee that's looking at the integration of children's services, the interministerial committee on services for children and youth, and that committee may be able to work towards a more coordinated model.

With the ministry's policy that integration should be the norm for exceptional children, and bearing in mind that there are some additional children in the classroom who have special needs but haven't been identified as exceptional, it becomes even more important to ensure that regular classroom teachers have at least basic training in special education and that they receive an adequate level of support. Without these resources, it's likely that the classroom teacher will be unable to meet the needs of either the exceptional or the regular pupils to the fullest extent possible.

That then led to three recommendations:

"(1) That the Ministry of Education and Training should ensure that a greater level of training in special education is incorporated into basic teacher certification and that in-service training in special education is available to all teachers."

The second one is the one we discussed, that "The Ministry of Education and Training should establish minimum levels of support staff required in integrated classrooms."

"(3) The Ministry of Education and Training should promote greater collaboration between ministries, agencies and school boards for the delivery of special education."

As I'd mentioned earlier, I've also been developing a recommendation to do with collaboration between the various ministries in terms of cost-efficiencies and funding. Maybe when the two are put together, we'll see whether it's appropriate to keep them in separate places, one to do with delivery and one to do with cost-effective education. But I just wanted to draw your attention to that possibility.

Are there any comments on that section on teacher training?

Mr Marchese: I agree with the whole section, and I agree with the recommendations that are there. The only comment I would make is whether it follows from the statements that are there; on page 27, the first sentence of that with what follows. The first sentence says, "Some teachers interviewed by the Provincial Auditor felt that additional training was not necessary if support was provided." The next section talks about the fact that support varies from place to place. These two statements seem inconsistent, one from the other, in that one argues that teachers say, "We really don't need it if we're given support," and the other part of it says that support is different all over. Do you see what I'm saying?

Ms Anderson: I intended that, rather than to be contradictory, to build the case that if they didn't have additional training, they needed the supports; however, the supports weren't being provided in a consistent way so they weren't able to do their job to the fullest extent.

Mr Marchese: I understand what you're saying, but the way it reads is, "Some teachers interviewed...felt that additional training was not necessary if support was provided." That would lead me to a different kind of argument: Is it necessary or not? What follows doesn't help that particular kind of discussion. Do you see what I'm saying?

Ms Anderson: I'll see if I can reword that.

Mr Marchese: But I agree with the way the next section reads, the whole section, in terms of the fact that support varies across the system. Everything else reads well until page 28, saying it becomes "more important to ensure that regular classroom teachers have at least basic training in special education, and that they receive an adequate level of support." I support that, but if some teachers think that's not necessary, I really do. I believe it is. They should be getting the training. If we're going to integrate, they should not only get the training but also get support. But I agree with the recommendations.

The Chair: Any further questions?

1110

Mr Tilson: I apologize to the committee, because I haven't attended any of the hearings. One of the issues, whether it be with special-ed or anything else, is the topic of our now two systems of separate school and public school. All three political parties have talked about the exploration of ways of sharing of things, whether it be transportation or other matters that wouldn't prejudice the philosophies.

My question, to anyone, is whether that issue has been canvassed with respect to special education in terms of training or the delivery of service; whether on the topic of special education there could be some form of unification that wouldn't impede the philosophies of the two different systems.

The Chair: I suppose that's a point for discussion.

Mr Tilson: It is a point for discussion. I suspect it hasn't been discussed, for obvious reasons, but I think it should be discussed. I don't know whether this was ever asked of any of the delegations that appeared, but in all these topics we're discussing, all 20-odd pages, whether in the delivery of service, the ministry trying to canvass whether the delivery of service is appropriate, whether in the retraining, in those specific areas dealing with special education it seems to me like it's an ideal area where that topic could be canvassed.

Mr Marchese: I think it's a useful suggestion. When there are conferences on special-ed, of course many teachers are invited from any system, really, as far as I know. On the other hand, both Catholic and public systems have their own separate in-service around any particular issue. I think Mr Tilson raises a good point about at least asking the ministry what they are doing, to see whether there is a great deal of cooperation at the moment with respect to in-service training around special education, the delivery of the service, and how it is we can eliminate the kind of duplication that often exists and that we are very critical of. We might ask the ministry whether it has looked at that; if not, that it should be looking at doing that. I agree with his statement.

Mr Wessinger: Could I just add to that? I know in my own area there's a difference between the assessment services provided by the public and the separate board. It would seem an area where, why shouldn't there be one common assessment process, like our psychologist services? It seems one system may be underresourced while the other has—it would make good sense to have

those resources shared between the two systems. I think we should ask them to look at that.

The Chair: Ms Anderson will take note of that and include it in the form of a recommendation somehow.

Mr Peters: Just a very brief comment to assure the committee that in our interviews with school boards and teachers, we made no distinction of whether we were dealing with a separate or public board. We did them all. The scope of the audit was that wide.

The Chair: If no other matter is pertaining to this, this is a draft report, and I suppose we would—

Ms Anderson: I could probably have the revised version for next week, if that would be helpful to people.

The Chair: That's what I was going to say, that we could come back with a revised version. We'll review it and then go from there. That basically concludes this item.

SUBCOMMITTEE REPORT

Mr Tilson: I did put the committee on notice that I wish to present a notice of motion to the committee. I believe the subcommittee met as well and wished to comment. Mr O'Connor isn't here—he's on television—but the subcommittee did meet and wants to make some comments to the committee. I think Ms Poole is going to present the report of the subcommittee.

Ms Dianne Poole (Eglinton): With specific reference to amendments to the Audit Act which were dealt with by the subcommittee on Tuesday, the auditor has proposed that instead of waiting until the accountability framework is in place, which seems to be taking much longer than originally anticipated, he would like an amendment made to the Audit Act without delay which would give him access to the information he needs to carry out his duties under the Audit Act.

As members are aware, we have had a lot of discussion over the last number of years about the fact that when dealing with certain transfer partners the auditor has been extremely limited by the information he has access to and it makes it very difficult for him to conduct value-for-money audits.

The auditor gave a draft letter to the subcommittee members, which I believe the clerk has distributed, where there's one specific amendment proposed to the Audit Act. The subcommittee had unanimous agreement that we would support the auditor. I have a motion to bring forward for consideration by the committee.

I move that the public accounts committee recommend to the Finance minister that the Audit Act be amended without delay to assure that when conducting an inspection audit, the auditor has full access to all information necessary to perform the duties under the Audit Act.

I further move that a representative from each caucus discuss the matter with his or her House leader to ensure that this amendment to the Audit Act be given speedy passage in the Legislature.

Mr Marchese: This change would make wide, sweeping changes to the auditor's ability to inspect anyone for that matter, right? It's not just in relation to education, obviously.

Ms Poole: Perhaps Erik could comment.

The Chair: Mr Peters wants to comment on that.

Mr Peters: That is correct. In fact, if there is a recipient of a grant, currently the Audit Act prescribes that I may conduct an inspection audit, so I could do this anyway. In fact, the scope as to whom we could audit is not enlarged by this motion at all. What is enlarged is that the inspection audit itself is defined currently as an examination of accounting records. In a number of instances, what has happened is that we have rulings that deemed certain records that we needed to examine not to be accounting records. For example, the universities have argued that enrolment records are not accounting records and that therefore we couldn't look at them etc.

On what we are proposing, the technicality of the amendment is actually that the definition of an inspection audit be broadened to read as follows—and you have the letter in front of you; it's on the second page—"That an inspection audit means the audit of such records and information as the auditor deems necessary to perform the duties under this act." In other words, we're not broadening the duties under this act; we're merely saying that in performing the duties, we have access to all the records that we consider necessary to conduct the audit that we have been instructed to do.

Mr Marchese: Could you give us some other examples? You mentioned the university, in terms of what they—

Mr Peters: That was the one that went the strongest in terms of going into legal records. I'll give you another example which is very current at the moment. There's been quite a bit of correspondence with a school board, the Etobicoke school board in fact, which had a motion on its records to conduct an inspection audit. The inspection audit currently, as defined, is merely an audit of accounting records, but they already have an outside auditor examining their accounting records in order to form an opinion on their financial statements, so there is no value added by conducting an inspection audit.

However, if there are indeed value-for-money concerns by board members, we could do that. However, and I should make a very important footnote because this is something school boards do not clearly understand, the instructions to do such audits have to principally come from this committee. In other words, it requires the authority of either a minister, or of this committee by way of a vote, or by the Legislature as a whole. The trustees of the school board cannot come to me and say, "We want you to do an audit," because they obviously don't fund me; I am an officer of the Legislature and not an officer of any school board to conduct this audit.

Nevertheless, under subsection 13(1) I could conduct those audits, provided that the school board has a grant, and that was the other situation in Etobicoke, the other condition why I couldn't do it: The Etobicoke school board does not receive any provincial funding.

1120

Mr Wessinger: This isn't particularly related but just as a matter of procedure, for my own information here about when you can do an audit, if a group of citizens,

for instance, felt that a particular agency was not being financially responsible, could they write this committee and request you to do an audit of that particular agency?

Mr Peters: Nobody can stop them from writing to this committee.

Mr Wessinger: But would that be a good procedure?

Mr Tilson: We're open to the people.

Mr Peters: It then is what the committee does with the letter. As you know, it requires majority support from the committee to carry on.

Mr Wessinger: I'm just thinking for my own information, because sometimes I'm approached by citizens about particular agencies and their concern, so I could direct them to this committee and that would be an appropriate remedy.

Mr Peters: The other point I should raise in regard to that question is that if the committee then opts for a motion under section 17 of the Audit Act, I have sort of the last button to press, and that is whether my resources allow me to do that.

Mr Wessinger: Right. Thank you.

The Chair: This is a notice of motion. Actually, I've allowed some discussion to take place because there seemed to be agreement around that. Now I would ask the committee's direction in terms of whether we deal with the motion today or take it as a notice of motion and deal with it next week.

Mr Marchese: A notice of motion is fine.

The Chair: Okay. This will be a notice of motion and we will deal with this motion next week as well, to be voted on. There are some other matters.

Ms Poole: So you don't want to vote on the motion right now.

The Chair: There's not unanimous agreement to do that.

Mr Tilson: Mr Chair, on a point of order: My understanding is that this is a report that was passed by the subcommittee and it seems to me that we're now voting on the report of the subcommittee.

The Chair: I will refer to the clerk on that in terms of technicalities.

Clerk of the Committee (Mr Todd Decker): In the subcommittee meeting that we had earlier this week, Ms Poole indicated to the subcommittee that she was going to be sponsoring a motion to come forward to this committee to put into effect the recommendation that's made in the auditor's letter. The subcommittee did agree to that, but in effect it's a motion that would be dealt with in the normal course.

The Chair: So it will be dealt with be dealt with as a notice of motion to be dealt with next week, at the next sitting time.

Mr Marchese: If you don't mind, that's fine.

Ms Poole: Is there any objection to moving it this week?

The Chair: You need a notice of motion before it becomes a motion.

Ms Poole: I've seen motions in this committee that

have been made and brought forward. I'm not giving notice of motion—

The Chair: If there's no objection, it will be received as a motion.

Mr Marchese: Dianne, if you don't mind, I'd rather do it next week, just to give me the opportunity to read this letter. I hear what Mr Peters has said and I support the direction it's going in. If it's not a big deal for you, then I'd rather deal with this next week.

Ms Poole: Okay. That's fine.

The Chair: I am compelled to deal with this as a notice of motion unless there is unanimous consent to deal with it as a motion, in which case it would be voted on today, but since there is not unanimous consent, we will take it as a notice of motion. Those are the rules by which we operate.

Ms Poole: Then could I just make one recommendation, Mr Chair? I think we also may be dealing with Houselink next week, and since I suspect that will be a fairly protracted discussion, could we deal with the Audit Act first, just to ensure that the auditor's recommendation is not delayed?

The Chair: Is there agreement to do that? Yes. Then that will be done.

Mr Robert V. Callahan (Brampton South): On what you said, I wonder if the draft letter that was sent to you should not be filed in the record.

The Chair: It is part of our record.

Mr Callahan: It's not been read into Hansard, though, and I think it should either be read into Hansard or it should become part of the record.

The Chair: Just a minute. Todd, when the chairman receives correspondence, it does form part of the committee's records?

Clerk of the Committee: It becomes an exhibit.

The Chair: It becomes an exhibit of the committee.

Mr Callahan: This letter is there because I think this issue has been kicked around for so long—I think it started when I was two years younger.

The Chair: I realize that, but you asked me a technical question, and essentially any document that I receive forms part of the documents that are retained by the public accounts committee.

The auditor wants to make a point, and then Ms Poole.

Mr Peters: Just a very quick one: What we discussed was essentially a draft letter, and I had specifically drafted it only because the committee members were kind enough in the subcommittee to agree to obtain legal advice whether what I had put in was legally correct. We have now received the legal advice and I'm now in a position to finalize it. The minute that it's done and then formally filed, then it becomes a record of the committee. At the moment it is just in draft form, but I intend to finalize it with the legal advice received.

The Chair: Not to contradict you, but anything that the chairman receives forms part of the records of the committee, if that's what you were asking, Mr Callahan. However, I would say that if you wanted to read this

document into the record so that there was more comprehension around the motion that will be brought forward next week, you could do that. It's entirely up to you.

Interjection: Rather than reading the whole letter—

Mr Tilson: We have it right in front of us.

Mr Marchese: It's true. If you want to read what—

The Chair: I'm pointing out options here. I'm not suggesting you do that.

Mr Callahan: Hansard is the record that some day people looking through the records will see, and I think maybe it should be on the record. I always believe it's better to have it on the record.

The Chair: Ms Poole has a further point and then we will close off this debate.

Ms Poole: I just wanted to suggest, since the auditor's letter was a draft letter and since after discussions with legislative counsel the wording might change somewhat, that when the motion is introduced next week, the auditor could read into the record the full text of his final letter so it will form part of Hansard as well as being an exhibit, rather than doing it now.

The Chair: That's fine. I can do whatever the committee wishes me to do, but I would suggest to you that all documents I receive form part of the official records of the committee, if that's understood.

Moving on to the next item, I think you still had further items on your list of subcommittee matters to report.

Ms Poole: The second item that the subcommittee discussed was the Canadian Council of Public Accounts Committees, which is meeting in Prince Edward Island on July 10 for several days. The subcommittee had a discussion as to how many members would be sent. In previous years, there wasn't a particular quota put on as to how many members would be allowed to attend. We felt, in view of the fiscal situation—there were two proposals. One is a member from each caucus, plus the Chair plus one staff member. The second proposal was that there be one staff member, I think probably the clerk, and the researcher, plus one member from each caucus.

I personally feel that with the fiscal constraints we're under this year, perhaps one member from each caucus might be more appropriate. If the Chair is available to go, he could go as the member of a caucus. If he isn't available, then one of the other members of the Liberal caucus would attend. So there would be only three members to attend.

You have before you a budget which the clerk has prepared which has to go before the Board of Internal Economy. This has been based on two staff members plus four members: the Chair plus three members. It would be significantly cheaper if the committee decides to send only three members.

1130

The Chair: It's just a matter of how to proceed. You're recommending three members attend the conference. Is there agreement on that, members of the committee? Okay. Before we do that we have—oh, Mr Crozier, on a point—

Mr Bruce Crozier (Essex South): Just a question: I wondered, after attendance at such a conference as this, what type of report is made back to the committee so that the rest of us can benefit from it? Is there a written report?

The Chair: There's a Hansard of the proceedings which is taken at the time the conference is held. That's available to all members.

Mr Crozier: That wasn't exactly what I was—

The Chair: I don't think there are any special reports. I don't recall if there were.

Interjections.

The Chair: There were some special reports, yes.

Ms Poole: There's usually a discussion among the members at full committee, the members who attended, talking about certain recommendations or policies or procedures, so there is a discussion.

Mr Crozier: We'll get \$9,000 worth of discussion, will we?

Ms Poole: Less, because we'll only have three members, not four, so we'll get our value's worth.

Mr Crozier: Okay. Thank you.

The Chair: I need a motion to adopt the budget, which will be amended because we had made provisions for four members to attend and we'll reduce it to three. There's a copy of the budget that each of you has. We need to make those adjustments for three members, as I've said, and then this will be presented to the Board of Internal Economy. Can I have a motion to adopt the budget?

Mr Callahan: Before you eliminate the Chair, is it my understanding that the Chair will not be going?

The Chair: Are you asking me, as the Chair, if I will?

Mr Callahan: Yes.

The Chair: No, I haven't said that. I've just suggested that if I should not find myself in a position to go—

Interjection: When, Mr Chair?

The Chair: I'll have to make decisions in the next period of time, but I was just suggesting that a member be allowed to go.

Mr Tilson: Quite frankly, I know what the motion said and I support the motion. I have no problem with the Chair going, plus a member of each caucus. I know that the Chair happens to be of a particular party, but the Chair normally speaks for this committee. I have no problem—I don't know whether the motion needs to be amended—with the Chair or the Vice-Chair and a member of each caucus going, which would mean four. But if the motion is on the floor and that seems to be in agreement, I have no problem with that.

The Chair: It's entirely up to the members of the committee.

Mr Marchese: I have no problem with the Chair going either. I wouldn't expand it in order to try to achieve some balance with the Vice-Chair. I don't think that's necessary.

Mr Tilson: I didn't mean the Chair and the Vice-Chair.

Mr Marchese: One or the other, you mean?

Mr Tilson: One or the other.

Mr Marchese: I have no problems with that, either.

Mr Tilson: And a member from each caucus.

Mr Marchese: Sure. If the Chair wishes to go, I agree that I have no problem with that taking place. I don't think he should feel compelled to go, but if he wanted to go, that would be all right with us.

The Chair: It's just my view that forgetting for the moment who is the Chair, someone in the person of the Chair, that there would be representation at the conference by the person who represents the Chair. In addition to that, I think what you're saying, Mr Tilson, is three: one from each party.

Mr Tilson: I'm just trying to think of topics that have been in the past. The issue of accountability seems to have been a favourite topic on different things and it may well be that there has to be a position by the Ontario delegation, which may be impossible.

Mr Marchese: You'll never get that one.

Mr Tilson: You're absolutely right. But it seems that that's possible.

The Chair: I would make, if I could, this small point: I think that the Chair must sort of remain in the position of the Chair and not represent a party. I would just point out that the Chair should be the Chair and not represent a political party, which would be the case if the Chair was there on behalf of a party. So you would want to keep that separate—if that's what you want.

Mr Tilson: Is the motion reading "the Chair or the Vice-Chair and a member from each caucus"? Is that what the motion is now going to say?

The Chair: Could we amend it to say that?

Mr Marchese: That's fine with me, but I would want to add that if one caucus member, for example, wished not to go, or a caucus representative wished not to go, that's fine.

The Chair: That's their choice at that point.

Mr Marchese: Yes.

Mr Callahan: That was my point. Leave it open. If it should turn out that you don't go, then that's money that's been approved, and it's not spent. I don't see any problem with that.

The Chair: Just on a technicality, there will be a further problem. Once Todd has to make reservations and you make a commitment, that commitment has to be—

Mr Marchese: Oh, sure. You will be advised of a date and a time when members should be able to tell you.

The Chair: There will be a deadline, yes.

Ms Poole: I further understand through discussions with Todd that it's significantly cheaper if we advance-book. However, we do need to give the member's name at the time. It can't be booked anonymously for three or four members. I think that over the coming week or two, it would be very important for each caucus to decide who is going to go and that commitment be made. The same

for you as Chair: If you decide to go, then that commitment should be made. Otherwise, it's going to cost significantly more for the tickets.

The Chair: Can I have a motion to adopt the budget then?

Ms Poole: I so move.

The Chair: All in favour? Passed.

Mr Marchese: I presume Mr Decker would send a note to each caucus whip.

The Chair: Very good.

Mr Tilson: I've asked the clerk to distribute to each member of the committee a notice of motion, which should be before all members of the committee, of which I spoke at the outset of the committee. This motion is being made in response to a number of questions that were put to the Minister of Housing this week and last. I believe the minister has indicated that she felt it might be appropriate for this matter to be referred to the public accounts committee, so that's the intent of the motion.

I also believe that prior to the committee making a decision with respect to the Provincial Auditor pursuing this matter further, it would be appropriate to listen to comments from the deputy ministers of each of those ministries, the Ministry of Health and the Ministry of Housing. After that, we could assess whether or not the Provincial Auditor should review this matter.

Accordingly, I move that the public accounts committee consider at its next meeting a motion to invite the deputy ministers of the Ministry of Housing and the Ministry of Health to review the allegations that House-link Community Homes—that probably should have an "Inc" there—misused \$2.2 million in public funds in the period April 1988 to March 1990, and to review the actions taken by the ministries and by recipients of provincial funds on audit reports. Any motion to involve the Provincial Auditor beyond the current undertaking to follow up on the 1992 report could then be made.

I would ask that this matter be dealt with at the next meeting.

The Vice-Chair: I have Mr Cordiano on the list. Any other speakers to the motion?

Mr Joseph Cordiano (Lawrence): Well, if there's agreement, we could discuss it.

The Vice-Chair: Any other discussion at this time? Mr Cordiano.

Mr Cordiano: I just want to raise this point with respect to this motion: Would it be agreeable to expand the scope of this so that it not be as specific, so that all the matters dealing with the write-offs that have been talked about in the press and that we've heard about in

the Legislature be included in the scope of the undertaking by the committee to deal with this matter, and that the matter be referred to the public accounts committee to be dealt with, as I think was the intention of the government, so that the committee could undertake hearings around all of these matters regarding any of the audits that have been conducted by both the Ministry of Housing and the Ministry of Health?

That gives the committee the broadest scope to deal with matters that are related, actually. That's really, I think, the real purpose of this.

Mr Tilson: I have a problem with that. It would be my presumption that we would have the two audits. I don't know whether they were both done by the Ministry of Housing or whether one was done by the Ministry of Housing and one by the Ministry of Health. I don't know that.

Interjection: The latter.

Mr Tilson: The committee would have available each of those audits. I don't know how bulky they are, but hopefully the clerk could obtain those and make those available to members of the committee in advance of the meeting. We would then be able to have a discussion with the Ministry of Housing and the Ministry of Health, the deputy ministers, with respect to those audits and surrounding matters.

I believe the motion's general enough to surround those matters. At that time decisions could be made as to how much further this committee wishes to go, whether we wish to have public hearings, which quite frankly I believe was suggested by Ms Gigantes, to be fair to her, but the committee could then make decisions at that time. There's no question that the intent of the motion is that after hearing from the deputy ministers, the Provincial Auditor would pursue the matter, but we may wish to go further. That's the intent of the motion at least. I would put that on the record: That's the intent of the motion.

Mr Marchese: Without getting into any detail, I think that this motion at the moment is quite general enough that once you discuss this, out of those discussions, if we agree to this motion, other things will follow. Rather than anticipating what should happen, I agree at the moment with the intent of what Mr Tilson is suggesting, but I think we should discuss that at the next meeting and see what the fallout of that discussion is before we decide on what should follow.

The Vice-Chair: Any other discussion? The standing committee on public accounts remains adjourned until next Thursday morning at 10 o'clock.

The committee adjourned at 1142.

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- ***Vice-Chair / Vice-Présidente:** Poole, Dianne (Eglinton L)
Bisson, Gilles (Cochrane South/-Sud ND)
- *Callahan, Robert V. (Brampton South/-Sud L)
- *Crozier, Bruce (Essex South)
- *Frankford, Robert (Scarborough East/-Est ND)
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O'Connor, Larry (Durham-York ND)
Owens, Stephen (Scarborough Centre ND)
- *Perruzza, Anthony (Downsview ND)
- *Tilson, David (Dufferin-Peel PC)

**In attendance / présents*

Substitutions present / Membres remplaçants présents:

Wessenger, Paul (Simcoe Centre ND) for Mr O'Connor

Also taking part / Autres participants et participantes:

Office of the Provincial Auditor:

Peters, Erik, Provincial Auditor

Peall, Gary R., director, education and training, housing and municipal affairs audit portfolio

Clerk / Greffier: Decker, Todd

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service



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**Legislative Assembly
of Ontario**

Third Session, 35th Parliament

**Assemblée législative
de l'Ontario**

Troisième session, 35^e législature

**Official Report
of Debates
(Hansard)**

Thursday 5 May 1994

**Journal
des débats
(Hansard)**

Jeudi 5 mai 1994

**Standing committee on
public accounts**

Audit Act amendment

Housing audits

Chair: Joseph Cordiano
Clerk: Todd Decker

**Comité permanent des
comptes publics**

Amendement de la Loi
sur la vérification
des comptes publics

Vérifications du logement

Président : Joseph Cordiano
Greffier : Todd Decker



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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 5 May 1994

Jeudi 5 mai 1994

The committee met at 1013 in room 151.

AUDIT ACT AMENDMENT

The Chair (Mr Joseph Cordiano): I hope everyone has a copy of the agenda for this morning's meeting.

The first order of business is a motion by Ms Poole. I believe when we left off last week, we were still discussing this motion. Yes, on a point of order?

Mr Stephen Owens (Scarborough Centre): Not on a point of anything, just with regard to Ms Poole's motion. I was going to ask the indulgence of the member and the committee to have folks from the Ministry of Finance available for discussion on the motion, if we can defer it for a week, today being budget day, if that's amenable, and we'll get down to it at our next meeting. I understand it's been around for a long time. Unfortunately, we don't plan the budget release dates here.

I don't know if we need a motion or just a consensus.

The Chair: Let's just deal with it in terms of discussion and get the other parties' opinions on it.

Ms Dianne Poole (Eglinton): If this is something the auditor feels would be helpful, I'd be happy to delay it for a week for the discussion. Would it be helpful for the auditor in the discussion of the matter?

The Chair: Before I turn to Mr Peters, Mr Tilson, because I need unanimous agreement to do this.

Mr David Tilson (Dufferin-Peel): I can only repeat what Mr Owens has said: This thing's been around for eons. I'm sure the audit department and the Finance ministry, treasury, have discussed this over and over. We've been waiting for literally years for the amendment to the Audit Act to come. We have. When I first arrived here, this was raised by the auditor at that time. We were led to believe there was a new Audit Act coming, and it hasn't come.

Mr Owens: I think you'll find a surprising amount of sympathy for this on this side of the House, so if we can agree to defer it, I'm sure we can make you a—

Mr Tilson: Well, can you give us a hint about why it's being deferred? We've been deferring it for at least three years.

Mr Owens: Does the phrase "budget day" mean anything to you?

Mr Tilson: If the mover is suggesting it be delayed, I have no problem consenting to that, if you're looking for unanimous consent, but I'm saying—

The Chair: Sorry. Not unanimous consent. I'm looking for consent, really. I should correct that.

Mr Tilson: We're asking that the Audit Act be

amended without delay, and here we are asking for another week's delay. And I can tell you that that will be delayed, because the very next motion, I have a feeling, is going to be dealt with for the next number of weeks as it's that important an issue. I think this issue should be dealt with now and the matter should be dealt with without delay by the Minister of Finance. We shouldn't delay it any further.

Mr Robert V. Callahan (Brampton South): At least two public accounts reports have made this a high priority and nothing's happened, so if we delay it one more week, I don't think the world will come to an end. In fact, I think it would be perhaps more important for us to get on to the next issue, which is Houselink. I don't know whether you want to ask if we've got unanimous consent again—I hope we would have—and we'd get on with the other issue.

Mr Rosario Marchese (Fort York): To agree with the previous speaker, we really want to deal with the motion being proposed. None of us wants to defer it indefinitely. I'm a bit sad that we're not dealing with it today, because I wanted to. We haven't had the opportunity to discuss it with the full information in front of us, but by next week we are fully prepared to deal with the motion and would ask for that deferment. Motion 2 will keep us busy for quite some time, but we're not running away from dealing with 1, because we're very interested in dealing with 1 as well.

Ms Poole: The government's support for this motion is going to be critical, and the government's support for amending the Audit Act is absolutely critical. If it would help to secure a positive resolution of this by delaying for a week so that Finance ministry workers can actually do proper briefings and look through to see the best way to resolve this, I would suggest that I defer my motion for one more week, but I would like it to be dealt with next week because I don't think it's fair to the auditor to keep postponing it.

Mr Owens: As I say, there is sympathy for your concerns here.

Mr Tilson: I'm baffled about why it's being suggested, both by the New Democrat members of the committee and now the Liberal member of the committee, that this matter be delayed another week. All this resolution is doing is simply asking that there be an amendment to the Audit Act, and it's specified why. If there's specific wording that needs to be done, that will be done when the bill is put forward. It's no big deal. I don't know why we need to delay it any further.

Let's have our House leaders agree that this matter will be given speedy introduction and the amendments be drawn up. You will have lots of time. You've had at least three years to draft amendments to the Audit Act. What this auditor and his predecessor were saying is exactly the same thing. There's nothing new here. However, it sounds like I'm in the minority in terms of the urgency of this thing. I think it should be processed today.

1020

Mr Marchese: Can I just move as a motion that we have this item deferred until next week so Mr Tilson can have his recorded vote against it?

The Chair: You can move a motion, yes.

Mr Marchese: I'd like to move that this motion be deferred for a week.

Mr Callahan: I'd like to amend that motion, with the consent of the mover, that it will be next week or as soon after we have fully dealt with Mr Tilson's motion on Houselink. If we get into Houselink, that's of equal if not greater importance to the taxpayers of this province, and as we are the public accounts committee and as it is our obligation to police the finances of the province, if we don't finish it today and we have to use next week and the week after that and the week after that, I think this matter should be put on the back burner till that's done.

I can appreciate as well the comment that was made that perhaps we should have an official from the Finance department here, perhaps the deputy minister, to commit himself or bring us up to speed on just why it has taken so long for this amendment to be brought forward as a major portion of business for the House.

Mr Tilson, I'm sure, did not mean to say what he said about us agreeing to hold it up. I'm as anxious as you are to get on with this issue. It has been around as long as I've been here, which is nine years as of May 2. But I think Houselink is of significant importance to the public of this province, that it should be dealt with immediately and that we should have enough time to deal with it in a full and fair fashion and report to the House on it.

The Chair: Just indulge me for a moment in terms of where we are in terms of our organizing this matter. Mr Marchese moved that consideration of Ms Poole's motion be deferred until the next meeting of the committee. I'm just reading the motion so everyone is clear about that. I understand, Mr Callahan, you want to amend that.

Mr Callahan: I amended it to the next committee hearing available after the matter of Houselink has been fully dealt with.

The Chair: I also have the auditor, who would like to say something on this matter if we would permit him to.

Ms Poole: I just want to refer to the fact that he asked for the mover's consent, my consent, to amend, and I would not be willing to do that. I think the amendment of the Audit Act is of crucial importance. I do not see an extensive debate on it, quite frankly. We've had extensive debate over the last five years on it, and all we need is an additional week for the government to decide the timetable for getting this through the Legislature and matters like that. If that's what they want, I am happy to accede to that delay of one week, but I would not be amenable

for it to be delayed for another four or five weeks because I think it's crucial we get started on the amendment to the Audit Act as soon as possible and see if we can get it through the House in a speedy passage.

Mr Anthony Perruzza (Downsview): I don't have a problem with that. It's important for us to be able to provide the levers to institutions like the auditors to be able to get in and review the books comprehensively. I don't have a problem in supporting the spirit of your motion, and I could support it today, I could support it next week or I could support it whenever it comes back, subject to Mr Callahan's amendment.

I essentially will be supporting all three motions in reverse order, because I suspect the amendment will be put to us first. However, if the motion is not supported and allowed to pass today, I have a tendency to agree more with Mr Callahan's intention, given that we are going to be getting into something that's fairly significant and fairly important, and you wouldn't want it to be disrupted once we get into the meat of that.

Those are essentially my views on this.

The Chair: Before I turn to Mr Marchese, would you permit the auditor to have a word?

Mr Erik Peters: Just a very quick word, two issues. First, it is a motion that would permit the committee, actually, to discuss this matter at a later stage. The reason there is some urgency is because of the confusion that continues to exist as to the instructions that this committee, or a minister, or the Legislature as a whole, can actually give my office and what the audit expectation is on that. For that reason, I'm encouraged by the words of support and speedy coverage.

The other point is one I make with some trepidation, but I would like to remind the committee that if you plan to invite witnesses, the Ministry of Finance has the same role vis-à-vis my office as any other ministry in the government and any central agency: They're auditees. In my office I am, as the Provincial Auditor, the legislative officer. Whether it is particularly necessary to hear as a witness one of the auditees or another auditee is totally within the committee's purview.

I just leave that as a thought on the table, when you consider whether you wish to invite witnesses: to merely vote on the motion, or whether you want to invite witnesses subsequently, when you discuss the motion itself.

Mr Marchese: Mr Callahan's suggestion effectively defers dealing with this issue, because once we deal with motion 2, based on the understanding I have from the House leaders, we will be into this next issue for a couple of weeks at least. If I were to accept his suggestion into my motion to defer, that would weaken it. As Mr Callahan has not moved an amendment, I suggest we just deal with the issue of deferring it until next week.

The Chair: That brings me to the point where I might ask Mr Callahan if he wanted to put his motion to amend the motion before the committee, so we could have some clarity around the motion.

Mr Marchese: There was clarity, but I'm not sure he wants to move it.

The Chair: Would you like to move that, Mr Callahan, so we can incorporate that amendment and deal with that first? But before we deal with it, I'll turn to Mr Owens.

Mr Owens: I just wanted to respond to Mr Peters and say it wasn't my intention to lead you to believe I wanted to bring witnesses from the ministry to the committee. It was simply that we wanted to have some opportunity for some direct consultation with them from the government side. It wasn't because I wanted to hold hearings and make a circus out of this, because I think it's a very clear and straightforward motion. As I say, there is some sympathy on this side with respect to it.

The Chair: Mr Callahan, would you like to place your motion to amend the motion to defer, or would you like to withdraw?

Mr Callahan: My colleague seems to think we can deal with this quite quickly next week. I'm very reluctant to put it off, but I think there's a more important issue before us and that we have to get on with it. I'll move a motion in amendment to the motion, that this matter is to follow immediately upon the final determination of the Houselink matter.

Ms Poole: Might I suggest a friendly amendment to Mr Callahan's? Just to say that we agree to defer this for one week, but that it be dealt with by no more than a one-hour debate, like 10 to 11, because we have discussed it so many times, and that we immediately start into Houselink as soon as the debate on the motion is over. In fact, it may take less than an hour.

Mr Owens: Why can't we just agree? I'm not sure why we need motions. It was a simple request that we defer this. It was not intended to promote a 30-minute discussion. Let's just move on.

1030

The Chair: Might I suggest one thing, to be helpful? It's possible to start next week's meeting at an earlier time to permit this item to be dealt with in the first part of the meeting and allow us to carry on with the other agenda item, which I'm sure will be coming later on this morning, for the better part of that meeting next week. That's a suggestion, because I think I'm hearing some consensus around having to deal with this matter expeditiously, and trying to accommodate that is really a question of organizing it. Am I correct, Mr Tilson?

Mr Marchese: At 9:30?

Ms Poole: I'm agreeable.

Mr Tilson: If that is an agreement, my concern is that we now have a notice of motion, I suppose it is, that the government members wish to amend the next motion, which will essentially put a time limit on the debate with respect to Houselink.

Mr Owens: Agreed to by the House leaders.

Mr Tilson: No, just a second. I've just been handed a piece of paper—

The Chair: Let's deal with one matter at a time before we move on.

Mr Tilson: I've just received a piece of paper—I assume it's a notice of motion—that the government

members wish to amend the motion on the next topic on this agenda, essentially to put a time limit on the work this committee wants to do on non-profit housing, specifically Houselink. Now we have the government members coming along and saying they want to introduce another motion within that time frame, which will shorten up the process of the debate of Houselink. I'm opposed to that. I see more members over there who are probably going to vote for this amendment they're putting forward, so they're probably going to get their way anyway. Because of that, if your suggestion is honoured, Mr Chair, by the government members of the committee specifically, and Mrs Poole's motion is disposed of before the Houselink issue, then I have no problem.

Mr Callahan: A point of clarification: Is any member of this committee entitled to bring in what in effect is a notice of motion and have it dealt with at that hearing of the committee, or is this just notice of motion and therefore we are entitled to discuss this matter on the basis of what was given—

Ms Poole: They gave notice last week.

Mr Callahan: No, I'm talking about Mr Tilson's motion at the moment.

The Chair: It is always the practice that we would have notice of motion. What we're trying to do here is to avoid that and come to a consensual agreement, but in the absence of that we will revert back to the notice-of-motion procedure.

Mr Callahan: I'm referring specifically to Mr Tilson's motion.

The Chair: I do have a speaking order. Ms Poole, and then Mr Marchese.

Ms Poole: First of all, just to get out of this debate, which is leading us nowhere, I would suggest that the public accounts committee meet at 9:30 next Thursday morning; that from 9:30 to 10 we deal with the auditor's motion, giving each caucus 10 minutes in which to put its comments officially on the record, as we have debated this numerous times; and that we immediately proceed to Houselink. That wouldn't take anything away from the time for Houselink, and it would ensure that we deal with the auditor's recommendation.

Second, with reference to the notice of motion, there is nothing, I believe, in the standing orders requiring a notice of motion. While it is the precedent, I do not believe it is a requirement. I've been on committee numerous times when a motion is put on the floor and voted on immediately without any notice of motion. I don't think we want to get caught up in this technicality of: Is the government motion a notice of motion, or a motion, or do we have to delay it to next week? Let's just deal with it.

The Chair: I didn't suggest it was in the standing orders. I said the practice of the committee had been that there were notices of motion, but it would be permissible.

Anyway, I think I'm reading that there is a consensus around moving to have a meeting at 9:30 to deal with this matter next week, that we deal with this matter in the first part of that meeting, which would take us to 10 o'clock—9:30 to 10? Is that the understanding? Okay?

Interjections.

The Chair: Order, please. There are two motions on the floor. There's an amendment to the motion and then there's a motion to defer. Could I have agreement from those who moved the motions that—Mr Marchese moved the deferral motion.

Mr Marchese: If we're voting on his amendment, Mr Chair, I'm not supporting it.

The Chair: We're not voting on it. I'm asking for a withdrawal of those motions, and if we have agreement, that we meet next week at 9:30.

Mr Callahan: I'll withdraw mine.

The Chair: Mr Callahan withdraws. Mr Marchese, do you withdraw? Was it Mr Marchese who moved that deferral motion?

Mr Marchese: I'm moving the deferral motion and that we begin at 9:30.

The Chair: Fine. So we withdraw the original motion, and now we've got agreement that we are going to meet at 9:30. Done. I think that's sufficient discussion around that matter.

We can now proceed to deal with a motion by Mr Tilson, which is item number 2 on our agenda, but before we do that—this should take us all of two minutes—is a housekeeping matter with regard to the budget we approved last week.

There is some new information regarding the way in which the House leaders deal with budgets. They have approved a lower amount than we had submitted simply because of the way in which they do budgeting now, which is that they have a global budget for the committees—I don't wish to get into a long discussion around this; we could do this in subcommittee—but it's sufficient to meet our needs for the PEI conference. It's just a technicality, so I just wanted to—

Interjections: Agreed.

The Chair: Okay, done.

HOUSING AUDITS

The Chair: Now the motion by Mr Tilson.

Mr Tilson: I'd like to make a motion, of which I provided notice to the committee last week, that the standing committee on public accounts consider at its next meeting a motion to invite the deputy ministers of the Ministry of Housing and the Ministry of Health to review the allegations that Houselink Community Homes misused \$2.2 million in public funds in the period April 1988 to March 1990, and to review the actions taken by the ministries and by recipients of provincial funds on audit reports. Any motion to involve the Provincial Auditor beyond the current undertaking to follow up on the 1992 report could then be made.

The Vice-Chair (Ms Dianne Poole): Mr Cordiano, would you like to begin the discussion?

Mr Joseph Cordiano (Lawrence): In respect of what's been moved, I would like to make a few comments regarding the unrestrictive nature of this motion. The last sentence of the motion that has been put on the floor by Mr Tilson deals with my concerns that this not be constraining or confining to the committee, from this

point of view: The matter we're dealing with is not inconsistent with what has come before this committee through the auditor's report of 1992; we dealt with the problems pointed out by the auditor in 1992 in his annual report.

What we're seeing with Houselink, the matter around this one particular agency, should not be viewed as an isolated instance. We understand there are other audits sitting in the minister's office about particular problems that we're not familiar with yet. I would contend that we deal with this matter in as broad a scope as possible so that, first of all, we not point a finger at one particular agency with respect to administrative matters, with respect to the way in which they have had to operate.

The problems we're seeing there—and regardless of any wrongdoing on the part of individuals, that's a matter that's entirely distinct from what this committee will deal with. What we want to get at are the questions around administrative efficacy, whether things have been undertaken in a proper fashion from an administrative point of view. You have to keep that in perspective.

I think it's important to draw on as broad a range of scope as we possibly can so that we look at this from the point of view that says, "Hey, there's a systems problem," which is entirely consistent with the way in which we reported on problems in the non-profit housing program in the past.

1040

We made numerous recommendations in our report on non-profit housing. Some of these problems relate to lack of operating agreements. Some of these problems were pointed out in the auditor's report. The reason I'm saying this is because I read the government's motion, which I'm sure will follow, and the government's motion attempts to restrict the matter in a way that I think will do no justice to the work we have to undertake here. I think it's important to keep that in mind. By restricting the terms or the parameters of our undertakings here, then we will not see the broad picture, which is, I think, the way we want to approach this. We want to know if there are additional audits that have been conducted and that the problem perhaps is not an isolated instance involving one or two or three agencies.

My contention is that the problem has to do with administrative matters or the lack of systems that would produce more accountability, the lack of efficacy, which is something we've pointed to in the past. To be consistent with that I think we need to look at this from as broad a scope as possible, and my concern is that this motion that's been put before us not be undermined so as not to limit our ability to look at other audits and to bring those forward.

I think this committee should reserve the right to ask for those audits as we deem necessary and to explore this in as fulsome a way as possible. After all, what we're trying to do is get to the bottom of the matter with respect to a full accounting and understanding the consequences of the failings of the system that is operational at the present time within the Ministry of Housing overseeing the non-profit program. We know there are problems. We have dealt with this; we've heard from the

ministry. We've also heard from the ministry that they have undertaken to resolve some of those problems. We have discussed this with them at great length, so I do not think we will do justice to the ministry or to anyone involved in these programs or to the taxpayers if we simply restrict the matter to what happened with the Houselink situation, and that we look at all audits that are available.

I support the motion by Mr Tilson and I hope it would be approved by this committee.

The Vice-Chair: We have Mr Marchese and Mr Callahan on the list.

Mr Marchese: Several things: I will respond to Mr Cordiano's comments in a second, but I want to suggest that because the House leaders have met, and I understand there was agreement on the motion that the members have in front of them, I thought it would be a lot easier than I expect.

What I want to do is defeat the motion that is before us. I will read for the record the motion that I want to propose in its place, after it's hopefully defeated, and then speak to some of the points that have already been made.

The Vice-Chair: Just a clarification, Mr Marchese. You said the motion that was distributed to members this morning was an agreement by all three House leaders?

Mr Marchese: Yes.

The Vice-Chair: I'm not sure members were aware of this and I don't know whether this makes a difference to the debate.

Mr Cordiano: I don't think it makes any difference.

The Vice-Chair: Okay.

Mr Marchese: If it makes no difference—well, for the record, I thought it was important to state that. The motion that, to my understanding, has been agreed to would read:

"I move that the public accounts committee, at its next meeting, will invite the deputy ministers of the Ministry of Housing and the Ministry of Health, authors of the ministries' audits, and senior officials of Houselink Community Homes and the Supportive Housing Coalition to review the ministries' audits of funding to Houselink and Supportive Housing Coalition during the period of 1988 to 1990 and to review actions taken by the ministries and the two organizations on those audit reports and that the committee report to the House by June 9, 1994."

There are several points I want to make with respect to what has already been said. We don't think it restricts the motion, as was proposed by Mr Tilson. In fact, it adds to it.

We propose that others come to the committee to speak to these issues and be in front of this committee to answer questions of the committee members in a way that is much more comprehensive. We've added Houselink here to this issue so that it's more comprehensive in the fact that it deals with another matter that has been made public in the last couple of weeks. We too, like they, want to get to the matter of things.

In terms of the points that Mr Cordiano raises, that it's

not comprehensive enough, my point to that would be, the reason for a time line is so that we can deal with this issue as expeditiously as possible. I believe that it can be done and should be done within the space that is here. If we are unable as a committee to do that, something is wrong with the committee members or the process, which could lead us to have interminable discussions on this matter. So the proposed deadline is to allow us to be more efficient and expeditious with the issue.

To the issue Mr Cordiano raises, we are not averse to dealing with a matter that is comprehensive in nature. Therefore, I say, we have had an auditor's report in 1992. As a result of that, the committee made 32 recommendations or so. I am not quite sure how many recommendations it has made. We would be quite happy to have the discussion on that report, invite the deputy minister to come to report to this committee on what has been done with respect to the recommendations that have been made based on the auditor's report and then we as a committee can efficiently deal with those issues, as opposed to some other blanket proposal that you might be proposing that may not lead us anywhere.

I would suggest that we're not dismissing Mr Cordiano's suggestions. We're prepared to deal with that, perhaps not today, but we can do this at another meeting when we have time, and deal expeditiously with these two issues that have been in the public's eye for a couple of weeks.

Once this motion is defeated, I will be moving in its place the motion I have read.

Mr Callahan: I think both Mr Tilson's motion and the proposed amendment are far too narrow. We have seen here that as a result of an audit that was called for by the former Liberal government, the audit was done by the auditor, and I can't downplay it any less than the fact that it was an outrageous operation.

I want to be satisfied that if we're going to investigate this, we investigate ongoing until now. I want to find out if the rot in the wood has rotted further. I think that should be the wish of every member of this public accounts committee. You don't just cut it off because finally the auditor went in and found that there was rotten wood, and say, "That's it, that's all we're going to investigate."

I think we have a responsibility to the taxpayers of this province to ensure that this is not still going on, particularly when one looks at the outrageous allegations of money being put away in slush funds, of the political involvement—I have to say that—which was raised in the House, of connections of lawyers who are the husbands of people working for the Minister of Health. We see people involved in it who are also related to other people who are politically involved in the government. Is this still going on? I think even if they're not putting \$2.2 million away in a slush fund, the fact that there are potential conflicts of interest has to be cleared.

I recognize that during this discussion on this whole issue, there are going to be suggestions, "Let's just deal with the period that the Liberal government was in power." The Liberal government was in power, but it called for this audit and that's the audit we've got. I think

we have to expand it right up to now and see whether or not these people have learned anything from this whole process or whether it just continues on and on and somebody's going to have to write off another \$10 million next year.

1050

To freeze this in time in terms of saying that 1990 is the end of it or is the period we're going to discuss, I suggest to you, is kind of like just taking a halfhearted approach to ancient history. The fact of ancient history may very well prove that history is going to repeat itself or is repeating itself, and I think it's very important to this committee that we determine that is not the case.

I find the amendment being made by the government—and even Mr Tilson's being made by the third party—is restrictive, because what it does do is restrict us to that time frame in which we have an audit. I think we have to get at the whole process.

I'd like to ask questions of officials. Who's now on the staff of these particular non-profit agencies? I would like the names of them. I'd like to know who's involved in the process in which these future developments are being carried on. I think we have an obligation to the people of this province to determine that tax dollars are being dealt with properly.

On the other side of the coin, I think we have an equal responsibility to ensure that there is housing for people who have psychiatric problems and people who are in need. That's an obligation of any government. On the other side of the coin, if we don't get at the full gamut of this particular issue, and we're allowing money to escape down the sieve again or allowing people to take advantage of the process, we're in fact weakening the whole possibility of looking after those people who need to be looked after and helped because, with the scarcity of funds that there are today, we in fact could use those funds.

We could use the \$10 million that was written off. That \$10 million would go a long way towards helping in issues such as the children's aid society in my riding, which is being hit with the social contract costs and is mandated legally to look after children, but can't do it because there's the potential of their budgets being reduced.

We have a responsibility and I think if this is going to be an amendment that attempts two things—first of all, to limit the scope of our investigation; and, secondly, to limit the time within which we can investigate this matter—then I say shame on the government, if that's going to be the effort of the government to try to vote on this.

I've always tried to maintain in this committee, and I think it should be maintained, that it's a non-partisan committee. Let it hang out. The Liberals, by ordering the auditor to go in and investigate this matter, took the responsible approach by letting it all hang out. We're not letting it all hang out when we stop it in 1990, thank you; we've got a responsibility to go beyond that. It may be that we're going to send the auditor out again.

In the meantime, I want to find out how we stop the

gap right now by questioning deputy ministers here and all those who were involved with this. If there's not to be a police probe—and it seems as though that's not appropriate since according to the auditor there wasn't any fraud involved—and there's not going to be a royal commission or anything like that, I think we, as the public accounts committee, have a responsibility to put no limits on the time frame and no limits on the time frame of the whole operation. If it's still going on—and when you look at the track record of the past, there's a real possibility that it is still going on—we're letting dollars just go down the drain. Those dollars are needed for many of the worthy projects that are being cut back in my riding, in your ridings and throughout Ontario.

Mr Tilson: It's interesting that we're starting to debate a motion that hasn't even been made yet, but I suppose it is relevant to a degree. I will say at the outset, just for the record, my information is this wasn't an agreement by the three House leaders, this was a proposal that was put forward. This piece of paper you've just read to us was delivered to the House leaders, as far as I know. I haven't spoken to our Conservative House leader, to be fair to what you've just said, but I have spoken to his executive assistant. My understanding is this is just an indication as to what the government wishes to do and how it wishes to alter this motion.

I understand, Mr Chair, your concern and Mr Callahan's concern that the intent of this issue isn't to be restrictive, that we may go beyond that. If you look at the latter part of the resolution, certainly my exact intent, when I made the notice of motion last week, was to just do that.

For example, I can tell you the intent of whom I would like this committee to discuss with on the two topics of the Supportive Housing Coalition and Houselink Community Homes. I think we certainly should see, whatever motion we have, the two deputy ministers, the Deputy Minister of Health and the Deputy Minister of Housing. I think that the author of the Ministry of Health report—it's simply astounding that this was released November 23, 1990, and now it's suddenly surfaced, almost four years later. It's an astounding development.

I'd like to hear from Mr Liu—if I'm pronouncing his name correctly—who, I presume is the in-house auditor for the Ministry of Health, V.W.G. Liu, who was the chief auditor, who appears to be the author of this audit report. I think the committee should hear from Mr Singh—and I'm probably pronouncing his name incorrectly as well—who is the author, I believe, of the Ministry of Housing report, B. Singh.

Another astounding thing: The Ministry of Housing audit report is dated February 1991 and here we are in May 1994. It is a simply remarkable situation that the ministries and the government have kept these two audit reports under wraps for all this time. I want to know why, particularly when they reveal that the Houselink agency stockpiled \$2.2 million in excess funds in its bank accounts. The staff overpaid themselves \$248,349 in benefits and excess salaries without approval and used public funds for unauthorized travel, board dinners, parking tickets, wine and liquor for residents' parties.

This is all on taxpayers' money. They inflated their expenses for repairs and maintenance and janitorial work. The agency refused to get competitive bids for major contracts. There were sloppy accounting practices and cost overruns on two developments, of \$630,000 and \$1.1 million.

The Provincial Auditor, to date, on the topic of non-profit housing, has been dealing with the subject of procedures with respect to non-profit housing. Have they been following correct—

Mr Marchese: We can do this next week.

Mr Tilson: Could I have some order in here? Mr Marchese is babbling.

The Vice-Chair: I think, Mr Tilson, to be fair, the concern of some committee members is that we're actually starting to get into the substantive matters rather than dealing with the motion.

Mr Marchese: Mr Tilson, we can discuss this next week.

Mr Tilson: I'm sorry; I would like the floor. I made the motion. I didn't even have the courtesy of the Chair to make the preliminary comments as to why I made the motion in the first place, and all of a sudden we're dealing with a new motion when I haven't even had a chance to make my comments as to why I'm making the motion. All during this time, the government members are babbling over there as to why they're opposed to my motion, which is trying to get at the root of these unbelievable expenses with respect to non-profit housing.

Mr Marchese: You're killing me, David.

Mr Tilson: You're darned right I'm killing you.

Mr Marchese: I'm next on the list.

The Vice-Chair: Mr Tilson, you have the floor. Would you please proceed.

Mr Tilson: I think we should hear from these people, the auditors of these reports and the two deputy ministers. I believe we should hear from Meg Sears, who is the program manager of Houselink—and who is the mother of Robin Sears, who is Mr Rae's friend and adviser—and who went to Germany to a mental health convention with Houselink's former executive director, but there are no board records authorizing the trip. I think we should speak to Mr David White, who is with the Supportive Housing Coalition.

1100

Those are the minimum number of people I think this committee should speak to. Why? Because after we hear from those individuals, it may well be that we may wish to speak to others. It may go beyond—and this gets to the point that was raised by Mr Cordiano and Mr Callahan, that in hearing from the two ministries that—and they're quite right, but at the very least we should hear from these individuals. Once we've heard from those individuals, it may lead to other things, as to other rot in the system. There clearly is rot in the system and we need to spend some time on that. So I understand Mr Cordiano and Mr Callahan's concern that the intent of my motion should be made quite clear, that at the very least we want to see these people and we may want to, after hearing the

representations from those individuals, look at other organizations.

Finally, and since Mr Marchese has commented on a motion that he intends to move after defeating my resolution—and he has the votes to do it; he can do anything. I guess at this stage, you've got more votes than we do on this side of the floor and you can do whatever you like, but I will tell you, to simply say that you want to go back to the House by June 9 is absolutely nuts, when we know at the very minimum we want to see these individuals. These are large amounts of money. Yes, no criminal charges have been laid. I want to ask the question why there have been no criminal charges laid, because there's a suggestion—

Mr Owens: Oh, so you know better than the police?

Mr Tilson: It may come to that. We're talking about trust funds, we're talking about taxpayers' moneys that have been used for improper purposes, and it may well come to that. I'm simply saying that Mr Cordiano and Mr Callahan are absolutely right, that it may go further than this, but this is what we see at the present time. That's why you have hearings. That's why we have those hearings, so that we can investigate that.

There's no question that beyond that, this motion that Mr Marchese is—he wants it to end. He wants this issue shut down by June 9. He wants it to stop. He doesn't want the Provincial Auditor to give an independent review of this matter. He wants it to stop, and I don't blame him.

This is a terribly embarrassing thing for your government. You've sat on two audit reports for four years, knowing that these dastardly things were going on and you did nothing about it. The only reason these audit reports were released was because of badgering by the Liberal and Conservative opposition. That's the only reason that these reports are before this committee right now.

It's absolutely outrageous that you would have the gall to come and say: "We're going to shut this topic down on June 9. We're not going to allow the Provincial Auditor to look into this matter further. We're going to report to the House on June 9. Topic closed, that's the end of it, let's get on with other things."

I can tell you, when we're talking about this amount of money, we're not going to allow you to shut it down. We're going to keep hounding you as to why these things have happened. Yes, Mr Cordiano and Mr Callahan are absolutely right: We want to look as to what's been going on while you're in government. You have a lot of nerve coming to this House and saying, "Oh, we're just going to look at the time the Liberals were in power." I want to know what's going on. I want to know why you've kept this quiet for four years.

The Vice-Chair: We have Mr Marchese, Mr Cordiano and Mr Owens on the list.

Mr Marchese: I am happy this particular meeting is being televised, so that those who are watching it, the fortunate or unfortunate few, have the opportunity to listen to everything that we say. I am happy that there is a time limit because when I hear the babblings of Mr

Tilson, they will understand that putting a time limit makes sense. He tires me out with the repetition. I think if we hear it once, it should suffice, but he repeats it interminably. He tires the hell out of me and everybody else, I am sure.

My motion takes nothing away from what Mr Tilson says. He speaks of it as if somehow this motion that I will be proposing might conceal something or might not get to the bottom of what he wants to get to the bottom of. Our motion is entirely consistent with his and it adds a few people, adds the review of the Supportive Housing Coalition, adds different aspects of people who should come before this committee: "...the Ministry of Housing and the Ministry of Health, authors of the ministries' audits, and senior officials of Houselink Community Homes and the Supportive Housing Coalition to review the ministries' audits of funding to Houselink and Supportive Housing Coalition during" that period "and to review actions taken by the ministries and the two organizations...."

What this then says is that it becomes permissive. It allows Mr Tilson, Mr Cordiano or anyone else on this committee to ask and do whatever they like.

Mr Cordiano: No. Wrong.

Mr Marchese: It does; it isn't wrong. When you have the ministries here and you have the different officials of the two different communities here that were asking to come before this committee, you are essentially free, as committee members, to ask what you want, and we as a committee are here to make sure that we deal in an open way on these two issues.

Mr Cordiano, you can say what you like. You'll have your opportunity; you're next. I hope you won't babble as long as Mr Tilson.

Mr Cordiano: I never babble, Mr Marchese.

Mr Marchese: This motion is permissive. We are open, we want to deal with this issue. Contrary to what Mr Tilson is saying, we want to get to the bottom of it as much as he does, and hopefully—

Mr Tilson: It's taken you four years to do it.

Mr Marchese: Mr Tilson will have the opportunity to review this, to say whatever he likes, in the next couple of weeks. I personally am very happy that we have a time limit. In order to be efficient as a committee, we need to have a time limit; otherwise members will repeat endlessly the same things that they will have said over and over again.

Mr Cordiano: I'm surprised you would say that.

Mr Marchese: In terms of what Mr Cordiano stated earlier about getting to a much more comprehensive approach to other aspects of the ministry, we're willing to do that, and I spoke earlier about how we can do that. This is specific to these. Once we have dealt with this, I am quite prepared—and I'm sure the other members are—to deal with the recommendations that have been made by this committee, invite the ministries to come to respond to it, and give him and others the opportunity to review all the other things that the auditor has already recommended that we review.

Mr Cordiano: Well, Madam Chair, if I may—

The Vice-Chair: Mr Cordiano, you're next on the list, and then Mr Owens.

Mr Cordiano: The members of the government side—I was reluctant to go in this vein, but I think—

Mr Marchese: Please do. It's televised. I want to hear it.

Mr Cordiano: —it's difficult not to review these matters and the discussions that are taking place with the kind of cynicism that ensues after what I've heard from the member opposite.

It seems to me that the members of the government side need to take instructions on dealing with matters that come before this committee, as we always have, in a way that maintains the spirit of the committee, one that's open and whereby this committee has acted in an efficient, effective fashion over the last couple of years, as I think all members who have spent time with this committee that long would attest to. We have never had a problem trying to come to grips with how to organize ourselves. I don't think that's the real issue here. The real issue is: What intention does the government have of getting to the bottom of these matters?

It is fine to say that these audit reports relate to the period 1988-1990, but the real issue goes well beyond these audit reports. The point I tried to make earlier is that we not deal so much with these audit reports in particular; that they form part of a comprehensive review of all of the audit reports that are before the ministry.

What would it hurt to have laid before the committee in terms of documentation—if the government members are listening to this, because I think they'll understand where we're coming from when we express our concerns—what would it hurt for members of the committee and for the public to review all of the audit reports that have been commissioned by the Ministry of Housing or the Ministry of Health over the past number of years, including any audit reports that have been undertaken during the time of this administration?

I think that would form an essential part of the information package that we should have before us because, after all, if what we're talking about at the end of the day, gentlemen, is the wrongdoings of one particular agency or two particular agencies, then let the police investigate that. Let the police find out if there are any wrongdoings.

1110

We already know there are problems. The audit is before us. It's been made public. We know that. We know there are problems with Houselink. What we're trying to get at here is not the problems with Houselink. What we're trying to get at is the way in which the ministry has conducted itself—

Mr Marchese: We're going to be dealing with this, Joe.

Mr Cordiano: Can I speak, please? I do have the floor at this time.

What we're trying to do is get at the overview, the broad scope of management that has been undertaken by the Ministry of Housing and the Ministry of Health to deal with the problems that have emerged. Have they

conducted additional audits? If they saw these audits in 1990, that begs the question that if the Ministry of Health or the Ministry of Housing reviewed these audit, they should have been alarmed. After all, they had them in their possession. Having been alarmed, that would have prompted them—it should have anyway—to review other agencies for similar problems, because after all, this couldn't be an isolated case, and if it was, then so be it.

After an alarm bell went off, don't you think it would have been logical for the Ministry of Housing or the Ministry of Health to ask itself those questions? If there are these problems in these agencies, these particular organizations, there could be other problems. As the auditor found out, there certainly was the potential for other problems. We didn't look at specific, detailed projects—at least, the auditor might have—and reveal that there were systemic problems, problems within the system that would have affected other agencies and other organizations within the non-profit housing program.

My concern is really that we deal with all the audits, whatever audits, whatever information the Ministry of Housing has, whatever information the Ministry of Health has, that we deal with all these audits, that they be given to the public accounts committee so that we may then, in the most logical fashion, because I think that in this, ladies and gentlemen—I am referring to gentlemen of the government side; there are only gentlemen on that side—we not deal with this matter emanating from the House leaders, with all due respect to the House leaders, but the House leaders are not informed of this issue in the way that members of this committee are. Members of this committee have dealt with the auditor's report on non-profit housing. We have been familiar with some of the problems that have been expressed by the auditor. We have made recommendations to the Ministry of Housing.

This matter that's before us is not in contradiction with or distinct from some of the problems we have seen in the auditor's findings, the only difference being that we didn't deal with the particular details of the alleged mispending that took place. I'm sure that had we delved in a more detailed fashion into one organization or other, we would have come up with some of these problems.

We have before us an internal audit that was conducted by the Ministry of Housing back between 1988 and 1990, but the auditor also referred to problems in his 1992 report. So we ask the question, what has the Ministry of Housing done to deal with these problems? What actions have they taken? I agree that the motion by the ministry deals with what actions have been taken, but let's not forget that the actions referred to would only deal with the problems between 1988 and 1990 and not with problems that have emerged since.

We know from information that we have that there are other audits before the Ministry of Housing, that are in the possession of the Minister of Housing and the Minister of Health. We should have those audits so that this matter be dealt with in as comprehensive and as broad a fashion as possible so that we deal with the entire matter, getting at the systemic problem and not just one or two isolated incidents. If it were one or two isolated incidents, it would be a problem that could be dealt with

in the way that has been suggested by the government motion, but we know that's not the case. We know it goes broader than that.

Again I repeat what the auditor has said in his 1992 report, that the lack of operating agreements—even to this day there are organizations that do not have operating agreements in place. It was one of our basic recommendations in our report on non-profit housing that operating agreements be put in place. Some of these problems stem from the lack of operating agreements. So I say to you gentlemen, there are ongoing problems—

Mr Gary Wilson (Kingston and The Islands): Well, let's get to them.

Mr Cordiano: Let's get to them by expanding the terms of this motion by agreeing with Mr Tilson's motion, or at the very least I would suggest that we amend the government motion. We're not dealing with it yet, but we will deal with it when we get to it.

The Vice-Chair: Just before we continue with the speaking list, there's been some concern expressed about the wording here. The auditor, as usual, is quite helpful and has made a suggestion. I think Mr Marchese was going to make a friendly amendment to his own motion.

Mr Marchese: When the other is defeated and this is introduced, but for the others to know in advance—

The Vice-Chair: Just so you know in advance that if this motion is brought forward at some time, what the suggestion has been is that the words "during the period of 1988 to 1990" be deleted. It would just open it up.

Mr Tilson: On a point of order, Madam Chair: I just find it absolutely remarkable that we're starting to debate the next resolution.

Mr Marchese: Madam Chair, when I get to the motion, I will reread it, including those words.

Mr Tilson: I thought I had the floor on a point of order.

Mr Marchese: No, you don't, Mr Tilson.

Mr Tilson: I'm sorry, I have the floor on a point of order.

Mr Marchese: No you don't. Is he on the list?

Mr Tilson: You just sit over there and keep quiet.

The Vice-Chair: Okay.

Mr Tilson: My point of order, Madam Chair, is that I would prefer to deal with the motions before us until that is disposed of, either for or against. I think we should continue to deal with that. Mr Marchese's just going to have to sit in his place and wait for his motion to be dealt with. It may never come.

The Vice-Chair: That's fine, Mr Tilson. I appreciate your comments. We were simply trying to be helpful and to resolve this so that the scope of the motion would cover what most members want it to be. You are perfectly correct in that we are debating your motion at this time.

I would suggest to members that we continue till 10 to 12 and at that stage Mr Tilson's motion would be put on the floor for a vote.

Mr Marchese: Mr Cordiano has already spoken, Mr

Tilson has spoken, we've spoken. We're probably read for the question.

The Vice-Chair: I had more speakers on the list, but if you're ready for the vote—

Mr Owens: I'm prepared to yield my time and get this thing done.

The Vice-Chair: If everybody's ready, we can take the vote on Mr Tilson's motion at this time.

Mr Perruzza: I want to speak.

Interjections:

The Vice-Chair: Mr Perruzza.

Mr Perruzza: I'm next? This is wonderful. I'm going to be supporting the motion put forward by my colleague, but I also want to say that I'm of the view that the focus at this committee should come from the perspective of the taxpayer. I'm of the view that you can't sort of prejudge what may or may not happen here as the process unfolds. I'm not necessarily bound by years; I'm not necessarily bound by specific audits; I'm not necessarily bound by time lines.

The energy I would like to bring to this committee is not a combative energy that proposes to score Brownie points either against this party or that party or this group of people or that group of people. The energy I'd like to bring forward and apply to these audits is energy that looks at the interests of the taxpayer and how those interests are being advanced by the government, by the bureaucracies, by the recipients of the grants, the groups and so on.

While I'm supporting these motions, I'm very interested to see how the process unfolds, always with the interests of the taxpayer at the forefront of the debate. I think that any illusions or when you try to blanket over these things, like, "Well, Jeez, it's the NDP," or, "It's the Liberals," or, "It's the Conservatives that are the people who are responsible for some of this stuff"—

1120

The Vice-Chair: Sorry, Mr Perruzza, a point of order.

Mr Cordiano: On a point of order, Madam Chair: I apologize for interrupting Mr Perruzza, but perhaps we could clarify this matter if we asked the clerk, in terms of a procedural matter, when a motion such as the one that is put before the committee by the government, directing this committee to do certain things in detail, as it inevitably will be dealt with by this committee and probably approved by this committee, once that motion is put to the committee, we have to follow the edict of that motion and the parameters of that motion are pretty constraining. I don't think we could ignore that motion. It's a procedural question, and that's why I raised the point of order. Because the House directs us to do something, as a committee we are then obligated to do what the House has directed us to do by motion.

Mr Marchese: No. There was agreement. There were no directions; it was an agreement.

The Vice-Chair: The clerk has made a point of clarification, that the committee, if it passes the government motion which we have been given notice of, at any time can reach either unanimous agreement or make a subse-

quent motion to extend that time if, for instance, there was deemed not to be sufficient time to deal with it.

Mr Owens: On a point of order, Madam Chair: Our House leader's person contacted the Tory House leader's office, and I find this astounding because it was our understanding, first of all, that we had an agreement. The language that says "authors of the ministries' audits" was a request by the Tory caucus that it be included in this motion. So I don't understand why we're spending another 30 minutes having a discussion about something that was agreed to by the three House leaders.

The Vice-Chair: We are now, even with your point of order, Mr Cordiano, getting into discussion of a motion that is not yet on the floor. We are still debating Mr Tilson's motion, and Mr Perruzza had the floor.

Interjection: You still have the floor?

Mr Perruzza: Yes, I still have the floor. I was just about to make a similar point. I would urge my colleague to be patient, because this is going to be a long process and he should approach it with caution and with persistence because I suspect that we're going to be here for a while. I'm of the view precisely that as the process begins to unfold and if we need to look at certain matters in a more detailed way or if we need to request other audits, it's well within the purview of this committee to do that.

I think Mr Tilson should leave the committee here today and should reflect on making pre-emptive comments that, "Oh, Jeez, these guys aren't going to go beyond this deadline," or, "Jeez, they're never going to go beyond this," or, "They're never going to go beyond that," because that's absolutely, I believe, not going to be the case.

I'm of the view that I would hold up our record against any record. I'm of the view that if he proposes a sensible motion—

Mr Tilson: I guarantee you'll be holding up your record; I guarantee it.

Mr Perruzza: —that would want to look at a specific item in the process as it evolves in more detail, he'll find considerable support on this side of the House to do that. So I would caution that he hang on to his hat and that he roll up his sleeves and come to this committee with enthusiasm and energy, because we're going to do something here that I believe is going to be very important.

I'm going to support the government motion. I'm going to support it with the amendments. If the dates and times are removed, I would support that; if they're in there, I would support that. But I reserve the right, as Mr Tilson would reserve the right, to move motions in this committee that would go beyond the parameters of any motion that's passed today or tomorrow or at the next meeting.

The Vice-Chair: Well, Mr Perruzza, it sounds like you're in a very agreeable mood today. You're going to support just about everything. Mr Tilson, you're the final person I have on my speaking list.

Mr Marchese: No repetition, okay, David? Please?

Mr Tilson: Dealing with the motion that is on the floor, the reason I support it is that it is not as restrictive

as what the government is saying. In fact, it is more open than what the government is suggesting. The government wants to shut this process down by June 9. Mr Perruzza has said that if necessary he would agree to extend that date, and if that is the case, then why don't they simply take the date out?

The problem we have is that we have two reports, two audit reports from the Ministry of Housing and the Ministry of Health. We know there are others. We know there are other reports and they may be revealed as these hearings unfold. We may wish to look at other authorities. We may wish to look at other housing authorities, from information that comes from these hearings that we are about to embark on. There may be more individuals we may wish to examine, we may wish to speak to.

That's why I simply say that in my short time on this committee—and I have been on this committee during the tenure of this government, which is since the fall of 1990—I've never yet had the government restrict this committee by saying that you can only discuss things for a short period of time, namely, two or three weeks. I've never seen that happen.

I don't blame the government for trying to be as restrictive as it is and narrowing it down to three weeks. I don't blame them, because this is very embarrassing for them. They've sat on two audit reports for almost four years: very serious, wild expenditures with respect to unauthorized expenditures by agencies that are receiving taxpayers' moneys.

I'm opposed to the philosophy of the government to make this as restrictive as it is. I'm opposed to the philosophy that they are ruling out any possibility of the Provincial Auditor, who would be independent in looking at these matters. Quite frankly, on the audits of the Ministry of Housing and the Ministry of Health, I question whether or not, with due respect—I'm not challenging the individuals who prepared them, but I'm challenging the fact that they were done by two government ministers. I believe these matters are serious enough that they should be looked at by an independent group, namely, the Provincial Auditor. That is his role.

I'm also concerned with the suggestion by the government that it would only look for the period of time in which the Liberal government was dealing with non-profit housing and not look at other matters since 1990. That's the whole issue, and presumably that's why they only want to deal up until 1990.

I believe the motion that I have put forward deals specifically with Houselink Community Homes, because that was how this all arose in the House. It enables this committee to look at other agencies, whether it be Supportive Housing Coalition or there may be other agencies this committee may wish to look at or receive comments from. It enables the Provincial Auditor to in due course receive instructions for being a little bit more specific with respect to reviewing these matters. It enables us to go beyond the scope of what the government wants to do. So I would encourage the members of the committee to support this resolution.

The Vice-Chair: Mr Tilson, thank you for your comment. I've just clarified with the clerk that notwith-

standing the fact that the three House leaders have apparently reached unanimous consent that this would be the wording of the motion, this committee is free to have whatever wording we choose.

Mr Tilson: Madam Chair, on a point of order: Mr Owens keeps saying that this is an agreement by the House leaders. That's not my understanding. That's what he says.

1130

Mr Cordiano: It's a motion by you, the members of the committee. Could I have the floor, Madam Chair?

Mr Tilson: I have made a motion that I expect to be dealt with, and just because Mr Owens comes in here and claims that there's an agreement between the House leaders, which is not correct, I would expect that this motion—

Mr Owens: So how does this fit into your 20% expected reduction?

The Vice-Chair: Mr Tilson has the floor.

Mr Tilson: I would expect that the motion that I was courteous enough to give this committee notice of a week ago would be dealt with and it simply wouldn't be shunted aside because the government doesn't like it.

Mr Cordiano: I would say to the government members of the committee that this is not, as I understand it, now a motion that's referred to us by the government. This is a motion that's introduced by members of the government side of the committee. There's a vast difference there, and I didn't quite make that distinction before.

I think, having said that, it's entirely consistent and entirely appropriate for us to discuss this matter in terms of what we as a committee will do to order our business. If it's a motion that was directed to us by the government, that would have been an entirely different matter. Since this motion is being put to the committee—it hasn't been put yet, but it will be put by one of the government members—then this discussion is about how we organize our business on this committee. Therefore there is nothing inappropriate or wasteful about this discussion. We are simply trying to order how much time we will give to ourselves to deal with this matter.

I would say this to members of the government side as well, that quite frankly this is an important matter. We on this side in our party would be agreeable to dealing with this matter for however long it takes to deal with this matter.

Mr Perruzza: Remove the dates.

Mr Cordiano: I will propose a number of things when we deal with your motion, but if you want to deal with the motion that's before us, Madam Chair, which has been put forward by Mr Tilson, then let's move on that and we'll deal with your motion when we get to it, because I want to amend that motion.

Mr Owens: Call the question then. You have the floor.

The Vice-Chair: The final speaker is Mrs Marland. After, we are going to be taking a vote on Mr Tilson's motion. That's what we're addressing right now. If you want some debating time for the government's motion,

which it's given us notice of, then I would suggest we wind up this part of the debate fairly soon and then we'll take the vote. Mrs Marland, I think you're the last speaker I have.

Mrs Margaret Marland (Mississauga South): I'm sorry I couldn't be here earlier. I'm actually sitting in another meeting at this point in this building.

Just on a procedural matter, it's my understanding that the House leaders met as late as last evening and that this is no longer the motion that the House leaders have agreed on. I know one of the things that isn't included in this motion, which obviously is not the motion that's on the floor, it's the next one that's coming, is that there is agreement now to have the people attend this committee who did the audit.

Mr Cordiano: That's in there, I think.

Mrs Marland: Well, this says—

The Vice-Chair: "Authors of the ministry's audits."

Mr Owens: That's what I said earlier, Margaret, but you weren't here for the first hour and a half.

Mrs Marland: Steve, you obviously are in great humour this morning.

Mr Tilson: Don't be so grumpy.

Mrs Marland: I've just explained why I wasn't here for the first hour and a half. If you'd like to comment on my absence again, I'll explain again that I'm in another meeting in this building.

Mr Owens: That's not necessary.

Mrs Marland: Madam Chair, you wish to deal at the moment with Mr Tilson's motion, and I respect that. Obviously, what's going to happen here is that we're going to have a vote on this motion and we're going to call members to come and vote on it, which will take us past 12 o'clock, I assume.

The Vice-Chair: Not if you have fairly brief comments. You can have your bell, Mrs Marland, although you do have all the members of your caucus here who are entitled to vote at the moment.

Mrs Marland: Yes, but all your members aren't here and all the government members aren't here.

The Vice-Chair: So you, on behalf of the other caucuses, would like—

Mrs Marland: Not having been here for the debate, are the government members supporting Mr Tilson's motion?

Mr Marchese: No, Margaret. We have this other proposed motion in place.

Mr Tilson: Mr Bisson I'm sure will.

Mr Owens: We have another proposal that was agreed to.

Mr Marchese: But even if it weren't agreed to, this is the proposed motion.

Mrs Marland: So you're going to vote Mr Tilson's motion down and then table this one.

Mr Marchese: That's right, replace it with this.

Mrs Marland: That's what I mean by calling the members.

The Vice-Chair: I'm sorry, with due respect, Mrs Marland, I don't see what we're going to accomplish if we delay the vote until after 12 o'clock so that we can't deal with the matter this week. I think all members of the committee today have expressed the fact that we want to deal with this starting at 10 o'clock next week—in fact, that was part of a previous motion—and we can't do that if there is no resolution of it.

Mrs Marland: All right. Do you have a list for the next motion? If not, I'd like to speak first on the next motion.

Mr Cordiano: I would like to speak first. Don't we do it in rotation?

Mrs Marland: All right. Then I'll make my comments with this motion.

The Vice-Chair: No, we're not doing rotation. We're doing people on the speaking list, and Mrs Marland was the last person.

Mr Marchese: There will be time.

Mrs Marland: Obviously—

The Vice-Chair: Look, we have spent a good portion of the last 45 minutes at least talking about the government motion instead of Mr Tilson's. Why don't we take a vote on Mr Tilson's motion? Mrs Marland, you've requested that you be the first speaker on the government's motion. Is that agreeable?

Mr Marchese: Oh, absolutely.

The Vice-Chair: Okay. We will now vote on Mr Tilson's motion. It has been read into the record so I don't believe, unless members need it to be read, that we will do that.

Mr Tilson: Recorded vote.

The Vice-Chair: Recorded vote. All in favour?

Ayes

Cordiano, Marland, Tilson.

The Vice-Chair: All opposed?

Nays

Frankford, Marchese, Owens, Perruzza, Wilson (Kingston and The Islands).

The Vice-Chair: Mr Marchese, you have a motion you would like to put on the floor.

Mr Marchese: I will read the motion for the record.

I move that the public accounts committee, at its next meeting, will invite the deputy ministers of the Ministry of Housing and the Ministry of Health, authors of the ministries' audits, and senior officials of Houselink Community Homes and the Supportive Housing Coalition to review the ministries' audits of funding to Houselink and Supportive Housing Coalition to review actions taken by the ministries and the two organizations on those audit reports and that the committee report to the House by June 9.

I'll speak to that briefly. We have removed "during the period of 1988 to 1990" so as to make it absolutely clear that if there are audits that obviously go beyond that date, they be included. I originally believed that when it says in the language "to review actions taken by the ministries and the two organizations on those audit reports," in my

view it is permissive and allows members to say and do whatever it is that they like, as they are doing at the moment with respect to these motions.

It's an important matter, Mr Cordiano says, and we agree with him. I don't know how many times we have to repeat the same thing for the members on the other side to understand that we agree as well that it's an important matter. I hope that they don't have to feel the urge to convince us of that over and over again. We are as open on this as they. This motion allows them and us to do this. It is not restrictive, therefore, and we've taken out language that they might perceive to make it more restrictive. It is not inconsistent at all with what Mr Tilson had moved; in fact adds to what he had proposed. It will allow him to say whatever he has said and say it again, and it will allow us to get to the bottom of this in a way that I think will satisfy everybody.

As to the time limit, June 9, I genuinely believe that you need a time limit. If you don't do that, members will feel they have the right to go on ad nauseam, and I don't think it helps us or anyone, for that matter. If it is believed, after we've done some work of three or four meetings, that we might need more time, then I think we would be prepared, as committee members, to look at that. But I'm not prepared to say that this matter should go on indefinitely to allow members to stretch it out for their own purposes without getting to the bottom of it, and I think we can get to the bottom of it in the time that we have.

Mrs Marland: Madam Chair, could the clerk advise me how many meetings we would have of this committee before June 9, knowing that there is one constituency week in there?

Mr Marchese: We potentially have four.

Clerk of the Committee (Mr Todd Decker): Four.

Mrs Marland: We have four? Including June 9.

Mr Marchese: Yes, the 12th, the 19th, the 2nd and the 9th.

Mrs Marland: I'm wondering if the government would be willing to extend it at least by one week, to amend it by one week, only for the purpose that we're talking about two-hour meetings.

1140

Mr Marchese: This date for me I believe allows us enough time to do the work that we need to. I have said that we're prepared as a committee to extend that if we believe that somehow we have left something out and an extra meeting is required. But I'm not prepared to move that date today.

Mrs Marland: Okay. Now the motion says to report to the House by June 9. That means that we can't meet the morning of June 9 and report in the afternoon.

Mr Marchese: Yes, we can. Sure we can.

Mr Gary Wilson: It has been done.

Mrs Marland: And have the report in both official languages? I doubt it. Let's be realistic.

The Vice-Chair: I don't think the report would have to be in both official languages to report back to the House. This is a committee report back to the House; it

would not be a public document that would be distributed.

Mrs Marland: I file a weekly report to the House on behalf of my committee, which I chair, and it's in both official languages.

Mr Marchese: No. It's reported in French and English but not the whole report. That is my understanding.

The Vice-Chair: It's not a requirement.

Mrs Marland: If it's not a requirement, then we could spend that morning debating and making recommendations. Is that what you're saying?

The way committees work, this committee then would, for example, meet for three consecutive Thursdays. You're saying the 11th, 18th—

Mr Marchese: The 12th, the 19th and the 2nd.

Mrs Marland: The 12th, the 19th and the 2nd. Somewhere in there we have to draft a report and have our staff write it, or what kind of—

Mr Marchese: I appreciate what you're saying. All I'm saying is that once we have the deadline in mind, the committee then will have to order its business so it gets to the heart of what you want to get to quickly, as opposed to thinking that we have timeless dates to deal with the issue. That's why I'm saying we'll focus the agenda by having this deadline, and it'll focus your thoughts on what you want to get at within that time line. Once we've done that—I'm not sure, I'm missing your point—we'll see how far we've gotten and then we'll assess whether or not that date needs to remain fixed or not.

Mrs Marland: I'm not trying to be difficult, Rosario, but if you look at what we have to do, one meeting we would be talking to the ministers, another meeting we would be talking to the senior officials and another meeting, I would suggest, we're talking to the people who did the audits. That's three meetings.

Then we have to as a committee discuss our findings and formulate recommendations and have our research staff write the report, write a draft report with draft recommendations, and we're talking about a matter that involves multimillions of dollars in this province.

We're not talking about something that is at all a partisan issue. The fact that all three parties have agreed that this should take place emphasizes the importance of what it is we're about to start, and what I'm saying is, if we start something that is as critical and as important as this is and do not do it properly, the report will not have any credibility at all. I would suggest to the government members, if they would care to listen, that it is to the government's benefit to have this report done thoroughly and professionally.

It's an ideological difference between your party and ours about these kinds of housing programs. But in order for you to defend to the public this kind of program, in which these examples have shown tremendous mismanagement—unfortunately, the example that I brought up in the House yesterday may involve criminal mismanagement, and the seriousness of that was not emphasized by me originally. The fact is that the example that I brought up yesterday with the Metro Toronto Housing Authority

is being investigated today by Project 80. The police are in there, not because they don't have enough to do; they're in there because there must be serious evidence of serious concerns and possible mismanagement.

My choice in fact would have been to add to this motion the Metro Toronto Housing Authority. I know that since the government House leader has agreed to look at the Supportive Housing Coalition and Houselink Community Homes, there's no way that they would be willing to expand it to Metro Toronto Housing Authority, so I have to deal with that as I can through the House and through questions in the House.

But it's a pretty scary situation that we are in. We have \$29 million that has been written off by the Housing ministry of this present government. Written off—we don't have anything for it. We have \$29 million that's been lost.

Mr Tilson: The Minister of Housing just wanted to clean it up.

Mrs Marland: Here we are, we have an opportunity now with this motion to look in depth, ask questions of the ministers and their staff and, more importantly, as the motion says, the people involved in two programs. Now, I want to tell you, government members, you may not know as much about this problem as I do, but there is worse stuff coming. There are more serious situations coming about these programs.

You have an opportunity, each one of you, to stand and be creditable on this in terms of your own communities, because when you go out to your own communities and advocate these types of housing programs and you advocate on behalf of the work of your government, you've got to be able to explain what these scandals are about. If you want to be in a position where you can do a surface, cursory investigation in eight hours—that's what we're talking about. If we're talking about four committee meetings, we're talking about eight hours.

I would suggest to you, with three parties asking questions, do you know how much time that is for each party, out of eight hours, to all of these people who are going to come before this committee? It is very, very serious. We are not going to have enough time by June 9 to have a creditable report from the public accounts committee on this matter.

The Vice-Chair: Mrs Marland, before we proceed, I'd like some direction from the committee. We have about 10 minutes left, if we wish to take a vote on this matter so that we can begin this matter next week. I have—

Mr Cordiano: On a point of order—

The Vice-Chair: Mr Cordiano, can I please finish my sentence first? Then you may have your point of order. We have four speakers left on this motion. Are we in consensus that we will have a vote at five to 12?

Interjections.

Mrs Marland: I have three people telling me what to do and I can't hear the Chair.

Interjections.

The Vice-Chair: I'm just asking, is it the will of committee members that we take a vote on this motion at

five to 12 so that we can commence Houselink next week? If we do not make a decision today, that means we cannot even begin debating Houselink next Thursday at 10, as we had scheduled.

Mr Tilson: On a point of order, Madam Chair: I believe the authors of the report should come first, because they're the ones—that's how this thing started.

The Vice-Chair: I have no problem with that, Mr Tilson, and the steering committee can meet to decide who comes first. All I'm saying is, if we don't take a vote today and resolve this matter, then we won't be able to begin next week.

Mrs Marland: I agree with you; it's terribly important to take this vote today. I'm simply trying to give an argument—

Mr Cordiano: On a point of order, Madam Chair: There's a motion before the floor that's been put there by one of the government members. I respect the fact that Mrs Marland has the floor, but I would like to make my views known from our party's point of view on that motion.

Now, we can take a vote. We can agree to have the vote taken this morning.

Interjections.

Mr Cordiano: On a point of order, Madam Chair—

The Vice-Chair: Mr Cordiano, I have heard your point of order.

1150

Mr Cordiano: I haven't finished.

The Vice-Chair: I believe there is consensus that we will have a vote in 10 minutes. We have four speakers left. I would suggest we have Mr Cordiano, Mr Perruzza, Mr Callahan, Mr Marchese, and that you take approximately, two, two and a half minutes each so that everybody at least gets an opportunity to put their opinion on the record.

Mr Marchese: I was going to propose we start at 9:30, for the record, so that we'll have two more hours. The next speaker should speak. I just wanted to say that out loud.

The Vice-Chair: We are actually starting at 9:30 next Thursday because of the audit matter.

Mr Marchese: Subsequent to all the meetings, or earlier, if people want.

The Vice-Chair: That certainly, I think, might be helpful in giving some more time for the committee.

Mrs Marland: Take a photo of Rosario; he's being constructive. I'd be willing to meet at 9 o'clock.

Mr Gary Wilson: I wouldn't want that on the record, Margaret.

Mr Marchese: Okay. So, Joe, you're next.

Mrs Marland: I think what is interesting is that obviously—

The Vice-Chair: Could you wind up quickly, just because we have so little time left.

Mrs Marland: I don't mind, but I suppose what's going to be said has already been said in the hour and a half that I wasn't here. I appreciate the fact that I have an

opportunity to say something.

The Vice-Chair: Yes, and it has been about 12 minutes.

Mrs Marland: Thank you. I hope that, based on what has been said on the record by some members of the government this morning, if you pass this motion about June 9, you are quite sincere about saying realistically that you would be willing to look at, as the investigation proceeds by the committee, doing a creditable report and having enough time to do something in depth.

The suggestion of expanding the hours even by four, which starting at 9 would accomplish, is very helpful, and I appreciate that. I hope you appreciate that it's terribly important to the government to make sure that you clean house once and for all on this issue. You cannot have one scandal emerging after another and not be willing to take an in-depth look.

This motion says you're willing to take a look. I'm simply saying, make sure that it's a sufficient, in-depth look so you can defend what the outcome is in a professional way and a creditable way, where you're answerable to your taxpayers, the same way that we are.

Mr Perruzza: Madam Chair, I'd like to make an amendment. I want to delete that day, right? I want to propose that amendment; I just want to do it before five to 12. I don't know how I get to it.

Mr Marchese: We're almost there. Joe, go ahead.

The Vice-Chair: Okay, Mr Cordiano, we've got about five minutes left for four people.

Mr Cordiano: I think we should move on and have a vote on the government motion. I, just to put it on the record, would agree with the deletion that has been made. I think that, as regards the time limit, I will take it at face value that the members of the government side will agree, if there is interest on the part of the opposition members, to continue with this investigation after June 9 if it's warranted and if there is a request by opposition members.

I think it would be in the spirit of the way in which we have operated on this committee to do that; otherwise, I would be once again cynical about the government's intentions. If there is further interest on the part of opposition members to ask important questions, and that you not cut off debate, as was evidenced in the past on this committee—I think it's only justifiable to say that—I would agree with you on that, if you would agree with that point of view that I'm just expressing. So let's get on with the vote, Madam Chair. I'm amenable to that.

The Vice-Chair: I just have one further suggestion. If we are going to put a date in, we could amend it to June 15, which is the Wednesday following, simply to give time to write the report to go the House. That would mean that June 9 would be used by the committee as a working meeting. That gives four full weeks, plus time to write the report. It doesn't involve another day of committee time.

Mr Marchese: Madam Chair, just to be fair, Ms Marland was suggesting we move it to another week with the existing time lines, starting at 10. If we start at 9, it adds four hours to this discussion, which in effect is like

extending it to June 15 and more; it gives us two extra hours. So by starting at 9, we have four additional hours. I don't want to take from some other—

Mr Perruzza: I want to propose an amendment to that motion, because I don't want a blanket to be thrown over these proceedings that says that somehow people are trying to control it so that you don't get all the pertinent information and facts out.

I'd like to add some words at the end of "Housing and Ministry of Health." Where it says, "The deputy ministers of the Ministry of Housing and the Ministry of Health," add "and other ministry officials, as required or requested by the committee." That broadens it so that this committee, if you want to talk to somebody within the ministry, nobody can be sheltered and say, "So-and-so's going to stay up in the ivory tower." They can be called before the committee.

The other amendment which I would like to make is to put a period at the end of where it says, "on those audit reports," thereby deleting "and that the committee report to the House by June 9, 1994." That gives the committee some range, and if at some point in time it seems that the committee is dragging this thing out and really being redundant in what it's doing, then I would be the one who would introduce the motion that would drop the curtain on the proceedings. That's my amendment.

Mr Callahan: I move the vote on the amendment.

The Vice-Chair: Mr Perruzza's amendment is debatable. Do we have unanimous consent that we will not debate his motion so that the votes can be taken today? Okay, we will first of all vote on the amendment to the motion. All in favour?

Mr Tilson: Recorded vote.

Ayes

Callahan, Cordiano, Marland, Perruzza, Tilson.

The Vice-Chair: All opposed?

Nays

Bisson, Frankford, Marchese, Owens, Wilson (Kingston and The Islands).

Mr Callahan: Guess what, Dianne?

The Vice-Chair: Why do you do this to me?

Interjection: What is the status quo on this?

The Vice-Chair: I am to preserve the status quo of the original motion, which means that—

Mrs Marland: Who says?

Mr Marchese: It's precedent. You know, Mrs Marland. You're the Chair of—

Interjections.

The Vice-Chair: This is the precedent by which the Chair has always been guided, so the amendment is defeated.

We will now vote on the original motion, Mr Marchese's motion. All in favour?

Mrs Marland: Wait a sec. Are you moving an amendment to start to sit at 9?

Mr Marchese: That doesn't require a motion, really. I think we should start at 9, if you want.

The Vice-Chair: I think it is the understanding of all committee members we will begin at 9.

Mr Marchese: Yes, and we could begin, by the way, having the auditors come in first. If there's agreement, we could just decide that right now. Or the deputies. We could decide that now, if you like. So we'll begin with the auditors?

Mrs Marland: At 9 o'clock.

Mr Marchese: Nine o'clock is fine.

Mr Owens: The Tories will pay for legal counsel for witnesses.

Mr Cordiano: I think it should be 9:30, personally. First of all, no one gets here when we have it at 10 o'clock.

Mr Marchese: That's why we should start at 9, because no one comes here on time.

Mr Cordiano: I'd like to see this.

Mrs Marland: Nine o'clock.

Mr Marchese: Is 9:15 all right for the members opposite?

Mrs Marland: No, 9 o'clock.

Interjections.

Mrs Marland: You all live in the city. You don't have as far to drive as I do and I don't have an apartment.

The Vice-Chair: We will start the committee meeting at 9 with the understanding that regardless of whether

there is all-caucus representation or all members here, we will start at 9.

Mr Owens: No, 9:15.

Mr Marchese: Madam Chair, 9:15. I'm trying to accommodate some members here.

The Vice-Chair: Okay, 9:15.

Mr Callahan: Madam Chair, I believe this is a matter of significant importance and that all of the hearings should be held in room 151.

The Vice-Chair: The committee hearings will be held in room 151. The clerk has said that is—

Mr Perruzza: Can I ask a question? Will the committee be meeting the week during the caucus—

Mr Callahan: No.

The Vice-Chair: So we have a consensus: meeting 9:15 sharp in room 151. Now may we take the vote on the motion? All in favour?

Mr Marchese: It's unanimous.

Mr Perruzza: Can I make a request, Madam Chair? We're going to get a lot of information, right? Can I make a request that we be provided by somebody with those folders so we can keep it in an organized way?

The Vice-Chair: All right. The clerk can provide us with the organizational folders that we can keep our material in.

This committee stands adjourned till 9:30 next Thursday.

The committee adjourned at 1201.

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- *Tilson, David (Dufferin-Peel PC)

**In attendance / présents*

Substitutions present / Membres remplaçants présents:

Wilson, Gary, (Kingston and The Islands/Kingston et Les Iles ND) for Mr O'Connor

Also taking part / Autres participants et participantes:

Peters, Erik, Provincial Auditor

Clerk / Greffier: Decker, Todd

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service



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Third Session, 35th Parliament

Assemblée législative
de l'Ontario

Troisième session, 35^e législature

**Official Report
of Debates
(Hansard)**

Thursday 12 May 1994

**Journal
des débats
(Hansard)**

Jeudi 12 mai 1994

Standing committee on
public accounts

Comité permanent des
comptes publics

Audit Act amendments

Amendements à la Loi sur la
vérification des comptes publics

Housing audits

Vérifications du logement

Chair: Joseph Cordiano
Clerk: Todd Decker

Président : Joseph Cordiano
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 12 May 1994

Jeudi 12 mai 1994

The committee met at 0924 in room 151.

AUDIT ACT AMENDMENTS

The Chair (Mr Joseph Cordiano): Members of the public accounts committee, we're now 10 minutes behind schedule. I see that all members who wanted to start at 9:15 were here at 9:15, I think, and if they weren't, we're going to start now anyway.

We have as the first order of business a motion by Ms Poole. Perhaps we should read that into the record; I think we did already, but just to recap. Perhaps I could do it. The motion reads:

"That the standing committee on public accounts recommends to the Minister of Finance that the Audit Act be amended without delay to ensure that when conducting an inspection audit, the Provincial Auditor has full access to all information necessary to perform the duties under the Audit Act;

"And that a representative from each caucus discuss the matter with his or her House leader to ensure that this amendment to the Audit Act be given speedy passage in the Legislature."

Any discussion on Ms Poole's motion?

Ms Dianne Poole (Eglinton): I'm quite anxious, of course, to hear from the government members, since they had requested a one-week adjournment to elicit opinion from the Finance ministry as to a proposed timetable and as to the ability to get this legislation through fairly quickly.

What I would really like to see happen is for our committee to recommend this and then that we further meet with our respective House leaders to urge them to consider speedy passage so that in fact we could have second reading and that it then be referred to the Finance committee over the summer for public hearings.

I think it's very important we move quickly. We don't know the life expectancy of this particular Parliament, whether it be a matter of months or whether it be a matter of a year or a bit more, but this has been something that has been suggested for some time. In fact, it's gone into the last Parliament and now has been carried over.

I'm concerned that if we don't get this legislation passed within this Parliament, we will again delay it and we'll probably then be looking at a 10-year hiatus over which this has been discussed. I would be very appreciative if the government members could tell us what they would feel about a proper timetable and the likelihood of all-party consensus on this issue.

The Chair: Before we move on with the next caucus, can I just suggest that I was supposed to allow the auditor to have an introductory comment.

Mrs Margaret Marland (Mississauga South): That would be a good idea.

The Chair: Would that be permissible at this point? Thank you.

Mr Erik Peters: Discussions about amendments to the Audit Act have taken place since 1990. Out of these discussions involving the public accounts committee, the staff of the Management Board, staff of the Ministry of Finance and staff of my own office, one issue has clearly emerged as requiring an amendment to the Audit Act.

That issue is the expansion of the audit scope by the Provincial Auditor for audits of records of grant recipients, principally to assess if grants were used for the intended purpose and if the grant moneys were expended with due regard for economy, efficiency and operational effectiveness, including if value for money was obtained.

As a result of the support that we have received from the public accounts committee since 1990 and to obviate the objections raised by grant recipients against audits of any records other than accounting records, that is, objections which severely limited the scope of the inspection audits and the scope of special assignments which can be given to my office by the Legislative Assembly, by this committee or by a minister, on May 2 I sent a letter to Mr Cordiano, the Chair of the public accounts committee, and I just want to highlight for you three paragraphs out of that letter because they are fairly important, as they refer to recent history in this committee.

"On June 17, 1993,"—less than a year ago—"the public accounts committee gave me approval in principle to pursue with the central agencies the establishment of a workable legislated accountability framework before any amendments are made to the Audit Act. My representatives and I have been meeting with representatives of the respective central agencies to pursue this initiative; however, progress has been slow and there is no short-term prospect of putting the government into a position to ensure through legislation that more appropriate accountability, including value for money, is obtained for government expenditures in the form of transfer payments. While this proposed amendment to the act deals with grants, it could also serve to accelerate the establishment of a legislated accountability framework, which I have been advocating.

"As you know, subsection 13(1) of the Audit Act permits the auditor to perform an inspection audit of a recipient of a grant from the consolidated revenue fund or an agency of the crown; however, the definition of an inspection audit in subsection 1(g) of the act is narrowly defined as 'an examination of accounting records' and from our experiences has a scope-limiting financial audit connotation. The proposed amendment should therefore expand on the current discretionary inspection audit provision to permit the Provincial Auditor to perform a full-scope audit, including value for money, of a grant recipient.

"Many large grant recipients receive funding from various public and private sources. From our past inspection audit experiences, grants from the consolidated revenue fund and their related expenditure were often not segregated in the accounts of the recipient. Therefore, because of this commingling of funds and in the absence of a separate accounting of the related expenditure, the auditor's right of access should extend to all applicable records of the grant recipient.

"Accordingly, one approach would be to broaden the definition of subsection 1(g) of the Audit Act to read:

"'inspection audit' means the audit of such records and information as the auditor deems necessary to perform the duties under this act."

In the past there has been quite a bit of discussion on this. It's certainly up to the committee as to whether you want to go into additional public hearing on this, because it has been a widely discussed matter.

The other matters discussed for potential amendments in the past have either been overtaken by events or can be remedied by judicious use of section 16 or 17 of the Audit Act.

With that, Mr Chair, I'd like to conclude my opening statement.

The Chair: Thank you. I believe Mrs Marland or Mr Tilson.

Mrs Marland: I couldn't support this more strongly and I don't think there is probably much need to debate the motion. We have discussed this a number of times. I haven't been a member of this committee as long as my colleague, so I would leave it to Mr Tilson to make any other comments, but it's absolutely something for which the time has long since passed.

Mr David Tilson (Dufferin-Peel): Just to conclude on that, I can't understand why we even delayed it to today. I think Mr Marchese had requested that it be put over to today, and I'm sure he'll have something enlightening to tell us as to why he did that.

The Chair: I have Mr O'Connor and then Mr Marchese.

Mr Larry O'Connor (Durham-York): I appreciate the opportunity to speak on this motion. One thing I had suggested at the subcommittee was that we may want to suggest public hearings, not to another committee but to this committee, and try to build on a consensus we've had in this committee over longer periods of time and to bring forward some of the people and have some of their thoughts.

We've had public hearings in the past from audits done by the Provincial Auditor, such as some universities and school boards and what not. Considering that that's where this committee had felt that at times we never got a full accounting that we would like to have had, I thought that perhaps we may want to move in that sort of direction and bring some of those people forward for a discussion to take place here, given that we would know more the intentions we had as members of the public accounts committee.

I guess while I was in the Legislature with my own resolution, you had some debate on this last week and you had talked about sending it to hearings, not with this committee but through the finance committee. I think, given that we've got some ownership in this committee, maybe it would be more prudent use of our time for us to do some pre-legislation consultations.

The Chair: Mr Marchese is next.

Mr Rosario Marchese (Fort York): I just want to continue with what Mr O'Connor was saying. I know there's been a great deal of correspondence between different people on this, and I was reading the letter Floyd Laughren had written to Remo Mancini, the then Chair, in 1992. I know that discussion has been had, but not necessarily with some of the parties from whom I would like to hear. It's not necessarily because I might agree with them that I want to hear from them, but it's to have the discussion with people who are affected. It makes sense to know from them what it is they're concerned about, and then, according to that, draft proposed amendments to the act if necessary.

They're worried about the fact that the auditor would audit management policies. Others are concerned that since some organizations receiving payments are accountable not only to the Ontario government but to other parties as well—municipalities and school boards are accountable as well to their local electorates—the impact of the proposed changes to the act on these existing accountability relationships needs to be reviewed to ensure that these relationships are not adversely affected. I understand that and I get the sense that everybody else would as well.

Before we proceed with making changes to the act, I would personally be very interested in hearing from universities, colleges, school boards, municipalities, professional accounting associations, professional auditing associations, the Ontario Hospital Association and possibly other members of the public, but I wouldn't want hearings to go on indefinitely. I would even suggest that we have two days of hearings where we'd schedule a half an hour for each of these groups and be done with it. I don't want to go on for ever, but rather to listen to those groups.

I would propose that we have two days of hearings to hear from these people with respect to possible changes in the act, and from there decide what we can do. That would be the direction I would propose.

The Chair: I have Ms Poole, then Mrs Marland and then Mr Tilson. We have approximately 15 minutes left.

Ms Poole: Quite frankly, if I'd known this was the

direction the government was headed in this week, I wouldn't have agreed to the postponement of the vote last week. Mr Owens made it quite clear that there was considerable support for this amendment, for this motion.

As far as hearing witnesses, I believe that is quite appropriate. The only reason I made reference to the finance committee is that traditionally the public accounts committee has not held public hearings. We have held hearings by invitation where primarily they are people from but not restricted to the ministry. In certain instances we have called forward experts for their testimony and for their assistance. If you are going to engage in full public hearings, it would probably be more appropriate to take it to the finance committee.

I'm not concerned whether it goes here or to the finance committee; I'm concerned about the timing. If we do as Mr Marchese and Mr O'Connor have suggested and hold hearings before introducing any legislation, that is going to delay the whole impact by some time. The whole purpose of having committee hearings after second reading is so that we can solicit input, so that we can at that time make any appropriate amendments and so that the committee can have an opportunity to ensure that the legislation meets the requirements we set out and does in this case what the auditor requires and also is sensitive to what the transfer partners and other partners are saying.

I do have concern about having the hearings before an amendment is introduced to the Audit Act. I think this will slow the process down and I think it will guarantee that we do not have this legislation passed by the time this Parliament ends. That is one of my major concerns.

Mrs Marland: I would like Mr Marchese and Mr O'Connor to look at the wording of this resolution. For the sake of the record, I'm going to read it:

"That the standing committee on public accounts recommends to the Minister of Finance that the Audit Act be amended"—I think everyone in this room knows and understands that this requires legislation, a bill coming into the House—"without delay to ensure that when conducting an inspection audit, the Provincial Auditor has full access to all information necessary to perform the duties under the Audit Act."

I could not believe that there is one member of this committee or of this Legislature, of all three parties, who wouldn't want to require the auditor to be able to do his job. If you want to defend anything that interferes with the auditor doing his job, then I would say shame on you, because when we're asking the auditor to do a job, obviously he has to have full access to all the information necessary to perform those duties under the Audit Act. We're not giving him new powers outside of the Audit Act. That's not what is being suggested here. What is being suggested is that he has access to information.

0940

Mr Marchese says he wants to hear from members of the public. I'll tell you now what the public of Ontario want. They want accountability, they want money being spent for value and they want to know that their tax money is not being misused by anyone who has access to it.

So all this motion is saying is, let the auditor and his staff have access to information so that any government, whether it's yours, ours or theirs, will be able to turn around to the public on a public platform anywhere in this province and defend the spending, because the auditor has the power to investigate where that money is spent and how it is spent and report it back. The auditor isn't going to say whether or not it should be spent. He's just doing an audit report.

If you want to delay it, exactly what you're talking about this morning will succeed and you've got the votes on this committee to delay it. But if you're really sincere about wanting to hear from people, why don't you let them introduce the bill? Let us go through the normal process of legislation, which will involve public hearings, as every one of you knows. If you want to stall it now, what you're saying is that what the auditor said last year about the bookkeeping of the Bob Rae-NDP government—unfortunately I don't have the auditor's report in front of me, but we all know it was very critical.

We all know there's a shell game going on in how the NDP does its bookkeeping. We know that even your acts that hand off debt to new crown corporations so you don't have to report it as the provincial debt any more—we all know this is all going on. I'm simply saying that if you can't support this motion today because you're frightened of being told how to keep the books of this province clean, clear and open, then you be accountable to your constituents, because I think it would be disgusting—there's no reason to delay it. There's a full public process that will come as a result of legislation to amend the act, and if you don't understand that by now, we're in worse trouble than I thought.

The Chair: I have a lot of speakers on this matter. By agreement, we decided last week that we would commence the next order of business on the agenda at 9:45. If it is the desire and the wish of the committee to continue with this debate past that point, so be it; I will abide by the committee's wishes. Otherwise, by previous agreement, we will proceed and commence with the next set of matters before us. You do have a couple of minutes left on this side. I have Mr O'Connor, Mr Marchese, Mr Bisson. I don't know how you wish to divide that two minutes, but I leave that in your hands, gentlemen.

Mr Tilson: On a point of order, Mr Chair: With regard to speaking order, I don't think there was a discussion about rotation and I think I was next.

The Chair: I was trying to divide the time that remained evenly. What I was trying to do was give each party three minutes at a time, and Mrs Marland spoke for almost four.

Mrs Marland: You didn't say that, in fairness.

The Chair: I did say that to the clerk, did I not?

Interjections.

The Chair: Order, please. We can continue with this if you wish. It's just a matter—

Ms Poole: On a point of order, Mr Chair: I know we had unanimous agreement last time to start at a quarter to 10, but a number of members were not here at 9:15, as agreed, so we were 10 minutes late. May I propose that

we continue this discussion for 10 minutes, and that at five to 10 we begin with the Houselink information?

The Chair: Okay. That's fine if that's the committee's wish. Ten minutes. We will continue then till five to 10. I have Mr Tilson on the list and then I have a continuing speaking order. Mr Tilson, you're next, and what I will do is try to divide the time between all three parties to continue with some fairness. There were a couple of minutes left before you start, Mr Tilson.

Mr Tilson: We had unanimous consent last week to start the next topic at 9:45.

Mr Gary Wilson (Kingston and The Islands): That was last week.

Mr Tilson: I know. That was then, this is now. I hear that all the time from you people.

Interjections.

The Chair: Order, ladies and gentlemen.

Mr Anthony Perruzza (Downsview): Are you asking for a vote or unanimous consent?

The Chair: I was asking for unanimous consent, as is always the case on this committee. If we do not have unanimous consent, then we will proceed with the next order of business on the agenda. It's as simple as that. Fine. We will commence the next order of business on the agenda.

Ms Poole: Let's take a vote.

The Chair: We will take a vote at some point this morning. We can do it now or we can do it later.

Mr Marchese: Mr Chair, we don't need unanimous consent, if someone moves that we extend this matter for another 10 minutes, and I propose that as a motion.

The Chair: If you move that as a motion—

Mr Marchese: I move that we extend this discussion for another 10 minutes.

The Chair: Mr Marchese moves that we extend the discussions for 10 minutes. All in favour? All opposed?

Mr Marchese: It carries. Okay, move on.

The Chair: It carries. What I will do at this point is have an evenly divided rotation, and I'll start with Ms Poole—

Interjections.

The Chair: I am trying to abide by the wishes of the committee, and the Chair has to do that. So I will carry on with Ms Poole first on the list, and you have three minutes approximately. I'll try to keep the time divided evenly.

Ms Poole: My colleague Mr Crozier also wants to speak, so I'll keep my comments very brief. I think it's unfortunate sometimes that we get into partisan wrangling when we're all trying to accomplish the same thing. I do not doubt the sincerity of government members who say that this is something they'd like to accomplish in support of the auditor, to ensure that in fact he has the information he needs to do a proper job of auditing the provincial funding.

But I am concerned with delay and I really do urge government members to support the motion. It does not say in fact what the amendment will be; it just talks

about recommending to the Finance minister. We would be more than happy to support public hearings, but let's get the process moving. Let's get the legislation introduced and let's just not delay. I think that's something we all want, not to delay this further.

Mr Bruce Crozier (Essex South): I just wanted to say that, being a relatively new member of this committee, I'm surprised in fact that the auditor has not had this authority in the past. I think any delay at all would be unjust. I would expect that we would get 100% agreement from anybody we might bring to a public meeting and I would suspect any group or partner that would not want the auditor to have access to any and all information that he needs. So I would urge each of us to support this motion.

Mr Tilson: This topic has surfaced many times since 1990 and perhaps before, but since I've been on this committee since 1990.

Ms Poole: Since 1988.

Mr Tilson: It may well have, but I'm just telling you what my experience is. We've had audits of school boards and universities. This committee discovered that the Provincial Auditor was hampered in completing his duties. This topic has been discussed over and over and over during that time. It became quite apparent in interviewing—and I'm really providing a response to Messrs O'Connor and Marchese's comments to delay this matter even further, because I can tell you that we discussed this topic with hospital boards, with school boards. I think you've been on the committee. We discovered that we simply couldn't get at certain things.

That was the purpose of the previous auditor, prior to Mr Peters, making requests that this committee pressure the government to have amendments to the Audit Act. It became quite apparent, by dealing with members of the public, with members of the civil service, that he wasn't able to perform his job in the way that not only he but—Mr Peters has said the same thing. So that is the purpose of the motion.

We have had public hearings and we have spoken to the very people—Mr Marchese may well be reading letters that he received when he was on the finance committee, but I can tell you that we've been talking about this for at least three years and we don't need preliminary public hearings leading up to a resolution or to a bill.

0950

The purpose of this resolution is to forthwith bring the matter to the House in the form of a government bill with unanimous consent and then have public hearings. I think it would be most useful. But to have public hearings prior to the bill and then more public hearings is a complete waste of time.

We've had two auditors tell us that they can't do their jobs, and now you're telling us, "Delay." I don't blame you, with some of the things that are starting to surface, particularly in Housing, that you do want to delay.

The Chair: Thank you, Mr Tilson. I have Mr O'Connor and then Mr Marchese, and if there's any time remaining—

Mr O'Connor: Mr Chair, I find it unfortunate, because this committee itself can be very non-partisan at times, that when committee members walk into this room, sometimes they forget that. We have committee members who haven't been on the committee as long as Mr Tilson and I have been in this Parliament. When Ms Poole raises the issue that this has been brought to the committee time and time again, I agree with her. The unfortunate part is that there doesn't seem to be a lot of consensus among people working within the bureaucracy that this is a good move.

Mrs Marland: Of course not.

Mr O'Connor: The unfortunate part of this is that we all, as committee members, agree.

Interjection.

Mr O'Connor: Mr Chair, as soon as Mrs Marland is finished, I'd like to continue.

This committee has an opportunity here to help move it along, not to just demand that the Minister of Finance move forward with this but to actually be part of the process that's going to help. This committee has heard from, yes, the auditor and the previous auditor about problems. What I am suggesting is not to put off the problem and let someone else deal with it, but for us as committee members to deal with it, to start to develop the consensus that will allow us to bring the legislation forward. We've done that before in the past, in other areas. It's not an uncommon practice.

I use Bill 119, the tobacco act, that I'd been involved with. We went out there with draft legislation, had extensive consultations, brought forward legislation and further extensive consultations. If this committee feels so strongly about moving this act forward, then I think we ourselves should be trying to bring in some of the people who have concerns about it and have some discussions ourselves. I don't think that's beyond the scope of this committee to deal with that.

For us to have legislation introduced and have the finance committee not come through with the wishes that we, as committee members, would like to deal with, then I think we're wasting a terrific opportunity to actually accomplish what exactly Ms Poole is trying to accomplish here. Instead, we're going to have it maybe not be accomplished at all.

The Chair: Mr Marchese, one minute remaining.

Mr Marchese: You have two ways of dealing with it, obviously. If we don't pursue the motion as it is worded, the impression that you want to leave the public with is that we don't support having the auditor do what you feel he should do. What we're proposing is, do the consultation first to get to the same matter. I'm not quite sure you've had public consultations on this specific issue at all.

What I would like to recommend is that the standing committee on public accounts recommends to the Minister of Finance that they proceed with public hearings or consultations immediately to consider amendments to the Audit Act, including increasing the Provincial Auditor's scope of value-for-money audits to include payments to transfer recipients.

I think we could move such a motion that has the support of all three parties, that it be done immediately and not be done in 1995 and that if you have public hearings, not that they should last months and months but rather put a scope or time limitation to that so that people can come to two or three public hearings. If there's no time to fit the rest, they could send in writing their suggestions or proposals. Once we have that, it comes back to this committee for discussion and we can deal with that forthwith.

We're not postponing it. We're not opposing the sense of what you want to do. I think this motion gets to where you want to go and I hope you will support that.

The Chair: Thank you, Mr Marchese. At this point, the time has expired. The 10 minutes are over.

On a point of order, Mr Bisson.

Mr Gilles Bisson (Cochrane South): I need to put something on the record. I want to say that I want to support—

The Chair: I'm sorry, it's not a point of order, Mr Bisson. I do think we should move on. Is the committee now ready to take the vote on the motion?

Ms Poole: Mr Chair, there appear to be two motions. I would ask that my motion go first.

The Chair: We're only considering the matter that was before us.

Ms Poole: Mr Marchese moved a second motion. I think we should take a vote on both of them, but I think mine should be taken first.

The Chair: There is only one motion on the floor. That is the motion by Ms Poole, and that's the matter that we are dealing with this morning. Is the committee ready to take a vote on this motion? Yes?

All those in favour of Ms Poole's motion?

Mr Tilson: Recorded vote.

Ayes

Crozier, Marland, Poole, Tilson.

Mr Marchese: Mr Chair, I move a recess because of the bells.

The Chair: I'm sorry, Mr Marchese. We have started to take the vote and cannot entertain your motion to recess. All those opposed to the motion?

Nays

Bisson, Frankford, Marchese, O'Connor, Perruzza, Wilson (Kingston and The Islands).

The Chair: The motion is defeated.

Mrs Marland: Are all these actually members of the committee?

Mr Marchese: Mr Chair, I have a motion.

I move that the standing committee on public accounts recommends to the Minister of Finance that they proceed with public hearings to consider amendments to the Audit Act, including increasing the Provincial Auditor's scope of value-for-money audits to include payments to transfer recipients, and that this be done without delay.

Mrs Marland: On a point of order, Mr Chair: I would like to know if the six members who just voted on

Ms Poole's motion are all—if you have sub slips or they are members of this committee.

Mr Marchese: They're members of this committee.

Mrs Marland: It's a fair question.

The Chair: They're all members of this committee, Mrs Marland.

Mr Marchese has put a motion—

Mrs Marland: We see different faces.

The Chair: Order. Mr Marchese has placed a motion on the floor. By previous agreement, I will repeat, the committee decided to move with the next agenda item, and by previous agreement we decided to extend the time to this point, but we do have the matter that is next on the agenda to be dealt with. If the committee wishes and if there is consensus, we can move to proceed with Mr Marchese's motion on the floor. If not, we will move on to the next order of business.

Ms Poole: Might I suggest, just to expedite this, that we have already had an opportunity to debate the thrust of Mr Marchese's motion. Can we take a vote now? Can we have consent to do that without further debate so that this issue can be dealt with without delay?

The Chair: Is there agreement to do that?

Mr Tilson: No.

Mr Marchese: I propose that we extend time to deal with this motion for five minutes.

Mrs Marland: Maybe you'd like to circulate your motion in writing.

Mr Tilson: On a point of order, Mr Chair: The rules are changing in this place. I can't believe the rapid pace that the rules are changing. We had an agreement at one point last week that this debate on the next topic will begin at 9:45. We had another agreement that this would be extended 10 minutes. We've already gone beyond that, and now Mr Marchese wants to change that rule. It's a nuthouse in here. Let's get some order.

The Chair: I just wanted to consult with the clerk. The committee does have a notice-of-motion provision which can be exercised. We had a previous agreement to deal with the order of business on the agenda that is next, and unless the committee wishes, we will proceed to that item.

Mr Marchese: I had moved a motion that we deal with my motion and that we take five minutes to deal with that. That's the motion I put before you. I realize that we could put this as a notice of motion, but I propose something else.

Mr Tilson: Point of order.

The Chair: We can move—just a moment, please. Mr Tilson, on a point of order.

Mr Tilson: I'm still waiting for your rule on the point of order that I made.

Mr Marchese: There is no point of order.

Mr Tilson: It was that time is expired that Mr Marchese moved the last time. That 10 minutes has long since expired.

Interjection: By agreement.

Mr Tilson: Either we have rules in this committee or

we don't, and it appears that we don't.

Ms Poole: On a point of order, Mr Chair.

The Chair: No. I will make this ruling. Obviously, we do not have agreement. There is a lack of consensus. The committee can move forward in any way it wishes by voting on the matter, and the majority rule will prevail. If Mr Marchese's motion is to be put on the floor, at that point we will vote on the motion. We can vote on any motion. It's a question of how the committee wants to move forward.

Mr Tilson: You're quite right, Mr Chair: The majority rules, and the majority has shown what it's going to do in this place.

The Chair: I believe we should deal with this motion at this present time, because there is a lack of consensus to move forward. Mr Marchese's motion—

Mr Tilson: Mr Marchese's stall tactics.

The Chair: Order. We will have a five-minute recess to regain our composure, gentlemen and ladies.

The committee recessed from 1001 to 1008.

The Chair: Order. We will commence once again with the proceedings. The matter before us is the motion that was placed on the floor by Mr Marchese.

Mrs Marland: I move that the question be called.

Mr Marchese: Can I make just a slight amendment for clarity, Mr Chair? I want to change the conclusion.

The Chair: On your point of order, the motion has been put and the matter is on the floor. I don't think we can correct the motion, as I've been instructed by the clerk. Mrs Marland moved that the motion be now put, so the matter will be placed on the floor. Mrs Marland, do you wish to withdraw that so Mr Marchese can amend his motion?

Mrs Marland: Of course.

Mr Marchese: Thank you, Margaret. At the end of the paragraph, where it says, "and that this be done," change it to "and that these public hearings be held without delay."

Ms Poole: Mr Chair, I was hoping we'd all agree that in the third line, instead of saying "that they proceed with public hearings," we say "that public hearings be held." It leaves leeway for our committee to hold the public hearings instead of the Finance minister, if that's what we all feel is appropriate.

The Chair: Perhaps I could summarize it. "That the standing committee on public accounts recommends to the Minister of Finance that public hearings be held to consider amendments to the Audit Act, including increasing the Provincial Auditor's scope of value-for-money audits to include payments to transfer recipients, and that these public hearings be held without delay."

Mrs Marland: Can we just say "that public hearings be held by this committee"?

Ms Poole: I think that's what Joe said.

The Chair: All those in favour? It's unanimous.

Mr Tilson: A recorded vote.

Ayes

Bisson, Crozier, Frankford, Marchese, Marland,

O'Connor, Perruzza, Poole, Tilson, Wilson (Kingston and The Islands).

HOUSING AUDITS

The Chair: Perhaps now we can move on with the second matter before us on the agenda. Ms Poole, will you take the chair, please?

Mrs Marland: Madam Chair, I have a point of order on business. My understanding was that our order in this review of business was that we would start with the authors of the audits so we would know how the audits were done etc, and then we would move to the ministers, and obviously that would include the deputies. That way, we would know the questions to be asked. I just noticed from the printout of the agenda that we are listing Mr Burns and the ADMs and so forth. I just want to be clear that we are going to start with the authors of the audits first.

The Vice-Chair (Ms Dianne Poole): Brad Singh from the Ministry of Housing is actually the person who signed the audit. In addition, we have the chief auditor present today. They will be given an opportunity to answer questions and they will be heard from today.

Mrs Marland: My point is very specific. It was my understanding that we were going to start with them.

The Vice-Chair: Yes.

Mrs Marland: Fine.

The Vice-Chair: The clerk has advised me that the Ministry of Health officials will be coming a bit later, and that this was an agreement by the subcommittee, and will be starting with the Ministry of Housing officials. I would call them forward at this time.

Mr Tilson: Madam Chair, I don't think you heard what Mrs Marland was saying. I understand it's only the auditors, the authors of those reports, that we're having today, and any support people they wish to bring with them. But the deputy ministers aren't coming today, are they? Mr Burns is on the agenda.

The Vice-Chair: For clarification, we do have witnesses from the Ministry of Housing, but we are beginning with the auditors of the reports. We will begin with the auditor from the Ministry of Housing, and the auditor from the Ministry of Health will be joining us a bit later.

As committee members are aware, on the agenda item we have issues concerning Houselink Community Homes Inc and Supportive Housing Coalition. I call the witnesses forward at this time. Please identify yourselves for the purpose of Hansard, including your names and the titles that you hold.

Mr Andy Glendenning: My name is Andy Glendenning. I am currently the director of the audit services branch in the Ministry of Housing. I have been director since January of this year. At this point, I should also introduce Mr Brad Singh, who is the former director of the audit services branch of the Ministry of Housing.

To explain how we will proceed, I'm not going to start with a history of non-profit housing; that's not in my jurisdiction. I would like to give some idea to the committee of the process of control exercised by audit and go

through that very briefly, and then perhaps we can get into a presentation by Mr Singh on the audit itself. We're dealing now with the Houselink audit, as I understand it.

Mrs Marland: Can I just ask how long you're going to be, Mr Glendenning, in terms of talking about process?

Mr Glendenning: Very brief. What I wanted to address, as I said, is the process of control through audit of non-profit corporations. To deal with internal audit, that is a management tool. Internal audit within an organization differs from external audit. External auditors are primarily engaged to professionally attest to the accuracy of an organization's financial statements. The internal audit's function is to examine the adequacy of the organization's financial and management controls and suggest improvements, where required.

Neither internal audit nor external audit has as its prime purpose a detection of wrongdoing. Management improvement is the prime purpose of internal audit, and financial accuracy is the purpose of external audit. However, where issues of doubtful judgement or wrongdoing are discovered, these are identified in the audit report.

The internal audit function within ministries differs also from the role of the Provincial Auditor. While both concentrate on reporting on value for money and management improvement, the Provincial Auditor has a corporate perspective and reports through the public accounts committee to the Legislature. The internal audit function, while independent within the ministry, reports to the deputy minister and/or, in some cases, the ministry audit committee. Again, its concentration is on internal improvement.

Verification of compliance processes are, or should be, built into the ministry's programs. It's the program management's responsibility to carry out these checks as part of the operational procedure. It is these procedural controls that are most often scrutinized by the internal auditor.

Just a bit of background on the non-profit program: The non-profit housing entities are independent corporations registered as not-for-profit. They are accountable to an independent board of directors appointed under the corporation's bylaws. Funding is available through the province for various housing projects. The non-profit corporation may apply for funding and, if it is granted, must meet ministry-determined conditions.

If I could outline those conditions, in part, a non-profit corporation in receipt of provincial funding must have contracted with a qualified external auditor, that is, a private company, to perform the following: first, an audit of the final capital cost of each project and, second, to perform annual attest audits of expenditures against budget. By "attest audits," I mean the accuracy of the financial statement.

For the past year, the ministry has been developing a more mature and streamlined accountability framework for the non-profit housing program. As part of this process, the ministry has worked closely with the Institute of Chartered Accountants of Ontario to develop a more effective auditing and reporting process. These efforts

have culminated in the development of new annual information returns from non-profit groups and in the issuance in February by the Canadian Institute of Chartered Accountants of recommended reports for use by chartered accountants in their audits of non-profit housing corporations. The new annual information returns and audit reports will increase the ministry's assurance concerning the compliance of non-profit providers with their operating agreements and will provide more effective and efficient monitoring of non-profit financial and management practices.

The regional offices of the Ministry of Housing are in frequent contact with the non-profit corporations. The budget and year-end financial statements are approved annually, as are the submissions of the external auditors' statements. The regional offices periodically perform compliance reviews of the housing programs to determine compliance with program guidelines with respect to administration of the non-profit corporation.

1020

The audit services branch of the Ministry of Housing performs audits of non-profit corporations at the request of the regional offices. Candidates are identified by the regional offices annually and are determined through these compliance reviews and the liaison with the non-profit corporations. Currently the branch is able to perform 10 to 12 such audits a year.

Each year, as part of its audit planning process, the audit services branch asks the regional offices to name candidates for audit as identified in the regional reviews of non-profit projects. These may be included in the audit plan based on audit selection criteria. This would include the relative size and complexity of the non-profit, the currency of the group's submissions and regional office's reviews—that is, the budget, annual returns etc—suspected impropriety with respect to operating or capital costs or potential conflict of interest, any significant non-compliance with ministry expectations, any potential loss due to misappropriation, any third-party complaints, and perhaps a history of unresolved conflict with the regional office.

In 1993-94, 15 non-profit audits were undertaken. Five are complete and 10 are awaiting completion.

In the 1994-95 audit plan, 27 audits of non-profits have been requested, of which the audit services branch will be able to perform 10 to 12.

It's important to emphasize that the audit report the committee has seen, due to the process of financial control and audit that we follow, is not necessarily representative of the operation of non-profit corporations throughout the province. Because we have a process of elimination through the external auditors, through regional office reviews, before they reach the audit services branch, these audits and others are undertaken when out-of-the-ordinary problems are identified.

That ends my comments. I'll turn it over now to Brad Singh, unless there are any questions.

Mrs Marland: I have questions.

The Vice-Chair: Mrs Marland, perhaps it would be appropriate to hear from Mr Singh first, and then open up

for questions from members. That might be a more orderly process.

Mrs Marland: That's fine with me.

Mr Brad Singh: I would like to open my remarks by thanking the committee for providing me with the opportunity to come here today to talk about the two audits, the Houselink audit and the Supportive Housing Coalition.

I want to touch a bit on the process that was followed in both audits. In both audits a lot of similarities were employed. To begin, both audits were requested by the manager of our regional office as a result of concerns that arose from audits being conducted by the Ministry of Health. Those were both requested audits.

Mrs Marland: The Ministry of Health, did you say?

Mr Singh: Yes. In setting the scope of the audit, we began by consulting the regional program staff to determine what information they wanted from the audits. In both cases we met with the Health auditors, liaised with them, and reviewed their audit working papers to avoid duplicating work. As a result of that review, we decided to limit our examination to only transactions that were funded by Housing in both entities.

We obtained as much information as possible prior to visiting the actual non-profit organization and actually developed a tentative audit plan before we visited them.

In both cases, the audit period was the same. It covered the operating expenses for the fiscal years ending March 31, 1989, and March 31, 1990. We also reviewed the capital costs of completed projects in both entities and projects that were being developed.

We held opening meetings with each non-profit group to tell them what the audit was about, the scope, the timing and so on, and to answer any questions they had, and we made preliminary visits to the offices of the two non-profit groups. As a result of these visits, we refined our audit plans.

In our actual field work and testing, we reviewed accounts, we reviewed transactions, documents, we interviewed staff, we visited actual projects and, in the case of the Supportive Housing Coalition, we visited two support agencies.

During our work, ongoing discussions were held with individuals involved in both organizations. At the end of the field tests and work, we discussed our findings with the regional staff on a preliminary basis.

Subsequently, we issued a draft report that was issued to the region for consideration, and in the end we issued a final report. Subsequent to the final report, the region met with the groups to agree on the corrective actions they would take.

Those are the similarities that we used in both audits.

I would like to move a bit into one special area, and that is the special investigative procedures we used in one audit.

Mrs Marland: Could you just say when you issued the draft and final reports?

Mr Singh: The final report for Houselink was issued in February 1991. The final report for the Supportive

Housing Coalition was issued in March 1992. I can get you the draft reports.

Mr Perruzza: Madam Chair, I thought they were going to give their presentation and then we would ask questions at the end.

The Vice-Chair: Mrs Marland was asking a point of clarification. That's why I allowed it. I understand that all members have a copy of the two reports, so you should already have that information available.

Mr Singh: I could get back to you later on those two dates.

I mentioned the similarities in the process undertaken in both audits. In the case of the Houselink audit, however, we undertook some special investigative procedures.

Normally, as Andy, my colleague, has said, an audit of a non-profit housing corporation will focus on the adequacy of financial controls, and management controls to some extent. However, in the case of the Houselink audit, because of the concerns that came to our attention, we expanded our scope and we employed additional audit investigative procedures that an auditor would not normally use in an audit of this nature. The reason for this is because an auditor has a professional duty to exercise due care and extend his procedures and techniques where appropriate so as to arrive at a satisfactory conclusion.

In using such procedures, for example to detect fraud or unlawful activity, the auditor would be looking for evidence of deliberate intent to deceive to obtain a benefit not otherwise entitled to, using such means as falsification of books and documents, misappropriation of funds and theft, forgery and so on. If such evidence is found, the auditor should immediately bring the matter to the attention of senior management, since there is an obligation of every citizen to report unlawful activity to the police.

The special procedures we used in the Houselink audit included the following:

—We performed title searches on all Houselink properties.

—We performed title searches on the real properties owned by one individual.

—We performed searches of ownership of companies of major Houselink contractors.

—We interviewed some Houselink suppliers and examined documents provided. I recall in one case my staff actually went out to visit one supplier and examined documents in his premises.

—We interviewed the former board chairman at our office and we followed up on some of his concerns.

—My staff conducted site inspections and considered the reasonableness of repair costs, with the assistance of program technical staff.

1030

These special investigative procedures did not uncover any evidence of unlawful activity. In fact, I recall that at a joint meeting of the audit and program staff from both the Housing and Health ministries on October 12, 1990, we discussed this matter and we jointly agreed that there

was no evidence of fraud or unlawful activity.

Therefore, although in the Houselink audit we considered the possibility of fraud and unlawful activity, the facts we uncovered just did not support this. What we found instead, as indicated in the reports before you, was poor fiscal management, poor procurement practices and incorrect accounting treatment, exercised probably by individuals who were well intentioned but who had very little expertise in these areas.

In ending my remarks, I wish to point out that the situation that existed in both audit reports occurred some years ago and it may not be a true reflection of what exists today in these two organizations. In fact, it is my understanding that corrective action has been undertaken in both cases. Our program staff, who are here today, can provide you with more details on the corrective action, if you so wish.

Mr Perruzza: Madam Chair, could we get a copy of those comments?

The Vice-Chair: Do you have written comments, or are they just made from notes?

Mr Singh: They're a bit rough. Do you want it now?

Mr Perruzza: I'd like to have them now. We get them in Hansard anyway, but not for a couple of weeks.

The Vice-Chair: Mr Singh, would you have any problem giving your rough notes to the clerk for distribution?

Mr Singh: No.

The Vice-Chair: We'll have the clerk make copies for all members for distribution.

We will have rotations by the three caucuses. I would suggest we'll start with 10-minute rotations and then divide the remaining time up after we see how long the first round goes. We'll start with the official opposition, Mr Cordiano.

Mr Joseph Cordiano (Lawrence): Let me start by saying that I believe what we will deal with on this committee is an effort to ascertain from the audits you conducted the administrative procedures and policies that were in place, or the lack of those, at both the ministry level and the agencies themselves, having conducted themselves in this fashion.

Obviously, as you've pointed out, if any wrongdoing has taken place, I believe those matters are left for the investigators, who would then undertake a proper criminal investigation of those activities. I take it from your audits—and these documents have been made public now—that in your opinion there was no wrongdoing. I think that's a separate issue from what we will deal with, in terms of the matter of criminality or wrongdoing and fraudulent behaviour.

I would like to focus my attention, from your audits, on the administrative policy review of those practices that were in place and the lack of those practices. We don't have copies of this, but following on the heels of the auditor's report of 1992, this committee undertook its review of the report. We had numerous hearings that took place at quite some length. We had officials from the Ministry of Housing come before us to review the non-

profit program and the findings the auditor made in his report of 1992.

What I find interesting is that the auditor did not have access to these internal audits that were conducted on the Supportive Housing Coalition. One is dated April 21, 1989, a report addressed to Martin Barkin, MD, Deputy Minister of Health back then. There were a number of items in this report and recommendations around administrative procedures and the failure to follow those procedures.

I also find it interesting that there is a letter dated October 24, 1991, addressed to Michael Decter, about Houselink Community Homes: "a copy of our audit report on Houselink Community Homes," from the period April 1, 1988, to March 31, 1990. I don't believe the auditor had access to that audit either. I believe there is another internal audit that refers to Houselink Community Homes, also done by the Ministry of Housing. The date of that I don't have, but it's an earlier report.

I point these out because the auditor conducted his audits—March 1992 was the completion of his audit—and he did not have access to these audits. I find it interesting that when the Ministry of Housing appeared before us, their view was that they had not compiled enough data around particular projects and enough information about what was taking place in the Ministry of Housing in terms of projects in the non-profit program. As a result, their lack of data, they say, was why they couldn't come up with a management system that was truly accountable. They didn't have enough data, they said. I find this rather interesting, because these audits were conducted precisely for that reason, to get some data to understand what was taking place in particular projects. There were concerns around lack of procedures, as you pointed out in your audits, throughout this process.

The Vice-Chair: Mr Cordiano, I apologize for interrupting, but the auditor wanted to make a point of clarification about one of your comments.

Mr Peters: If I may, Mr Cordiano. If we had asked for those records, those audit reports, we would have had access. I just want to put on the record that there was no denial of access at any point.

Mr Cordiano: Did you have knowledge of these reports?

Mr Peters: As far as the Housing one is concerned, we probably looked at them in our planning phase of the audits, where we sort out which are the major issues and which are issues we're not pursuing. As far as the Health audit is concerned, we were not pursuing at the time these audits occurred an audit of the mental health program of the Ministry of Health, so we would have had access but we would not have pursued any issues arising out of those reports.

Mr Cordiano: I understand that, but these matters were pertaining to housing. The reports were around the conduct of these agencies in the process of doing their reviews of housing projects, their overlaps in terms of the Supportive Housing Coalition.

Mr Peters: That's true, and your points are perfectly valid. I just wanted to correct that if we had wanted to

have access to these records, to these audit reports, we would have had access.

Mr Cordiano: But no one volunteered these reports, is what I'm suggesting.

Mr Marchese: No one said, "Here, look."

Mr Cordiano: The point is, this is the auditor of the province of Ontario coming in to do a report. The ministry's attitude throughout this entire process was, "Because these projects have gone forward and have been built with urgency and with haste because of the acute shortages, we don't have enough relevant data to determine whether"—

Interruption.

The Vice-Chair: Mr Cordiano, I'm sorry, the bells are ringing for a quorum call.

Mrs Marland: We're not going to adjourn for a quorum call; I'm sorry.

Mr Perruzza: Well, if you guys play games in the House—

Mr Tilson: We're not playing games. You've got to keep a quorum in there, and you can't keep a quorum.

Mrs Marland: You've got 69 members.

The Vice-Chair: Mrs Marland, the standing orders require that if there is a quorum call, the committee be adjourned until such time as the quorum call is satisfied. We will have perhaps a very brief recess until the bells stop ringing, at which time I would ask members—I am calling the meeting back to order. Mr Cordiano, the quorum call has been satisfied, so we are going to continue.

1040

Mrs Marland: Why don't we have 20 minutes instead of 10, because Joe has been going 10 and he's not—

Mr Cordiano: I've gone 10 minutes?

The Vice-Chair: Mr Cordiano has two more minutes plus a bit of time for the interruption.

Mrs Marland: Let's go for 20-minute portions instead.

Mr Marchese: Ten minutes is fine.

The Vice-Chair: Being a Liberal, I will compromise. Why don't we change it to 15?

Mr Cordiano: The point I'm trying to make through this is that the auditor did conduct an audit trying to ascertain a number of pieces of information out of his audit. At the end of the day, not having access to this information, or at least this information wasn't made available—I'm sure that if there were knowledge of the information or it related to his own audit, the request would not have been denied. I don't doubt that.

All I'm suggesting is that the approach taken by the ministry during the time we had our hearings was to say that there were no relevant data or that there was not a compilation of data readily available to be able to ascertain what new procedures should be put in place, what new accountability framework should be put in place, what new models should be put in place to account for demand and need etc, all these items that were

contained in our report that the auditor's findings alluded to.

I'll just list some of the recommendations we put forward in the report of the public accounts committee. One of them was, "The Ministry of Housing should adopt a directive on competitive procurement practices to ensure that administrative procedures are followed to promote economy, efficiency and effectiveness in the development of residential units in the non-profit housing program."

Further, another recommendation, "The Ministry of Housing should review the application of the conflict-of-interest directive at the end of the first year...the Ministry of Housing should develop an improved methodology to control capital costs which would include an assessment of the 'maximum unit price'...." etc.

These reports would have indicated that there were problems and would have pointed to the need for corrective action, which you obviously have done in your report. The recommendations that follow speak to these concerns. There needs to be a full accounting for the lack of action by both ministries for having to correct these deficiencies. With your recommendations, that could have easily been accomplished.

Speaking to the Houselink audit report for the period April 1, 1988, to March 31, 1990, specifically the \$2.4 million that was shown on the books of this organization as schedule A, if you can follow this—I think it's on page 2 of that particular report—you say that "these surpluses had accumulated since 1984.

"A further analysis of Ministry of Health's surplus of" \$2.1 million "showed that it was represented by," and you break it all down.

"In addition to the above cash, there was another bank account in the name of Houselink...having a balance of" half a million dollars, or close to \$600,000, "as at March 31, 1990."

Further to that, on the bottom of page 4, you say, "Our analysis, after making appropriate adjustments, showed that of the" \$1.3 million in a term deposit, "at least \$1 million belonged to Ministry of Health." So you're talking about \$1 million that belonged to the Ministry of Health after you'd done this audit report.

There isn't enough time to go into other matters, but if you would like to—

Mr Singh: Mr Cordiano, what you're referring to is the Health audit. I think it's more appropriate if the Health auditors answer your questions. We did the Housing audits.

Mr Cordiano: You specifically did not deal with any of these overlaps then.

Mr Singh: No, because what we did, as I said in my presentation, is that we liaised with the Health auditors and we tried to avoid any duplication of work.

Mr Cordiano: This is Houselink's audit for that period. That's why I pointed out the exact dates, so that we could straighten out which one of these—there are about four audits before us. I understand that there is a Ministry of Housing audit report.

The Vice-Chair: Mr Cordiano, just before you continue, I think Mr Glendenning had a comment to make in response to your question.

Mr Glendenning: Just to deal with the first part of your question, I'd like to emphasize what the Provincial Auditor has already said. When they came into our office, our files were open to the Provincial Auditor. There was no question of hiding anything on our part. I'd like to say that they were open.

Mr Cordiano: I'm not suggesting that.

Mr Glendenning: Okay. In terms of the second question you were asking, in public accounts, Housing indicated there were not sufficient data at that time. I wasn't there in public accounts, but I would point out that we had only done Houselink and Supportive Housing at that time. I don't regard that as a large amount of data, but that's the fact.

The third point I'd like to make is that if perhaps we could identify which audit report you're quoting from, it might help us to respond more effectively. The title would help us.

Mr Cordiano: That's why I referred to the period. I thought we were dealing with both audits, so let's try and get straight who's done what, because there are a number of audits before us.

Mr Glendenning: To identify ourselves again, it would be the Houselink audit performed by the Ministry of Housing, as opposed to the Ministry of Health.

Mr Cordiano: I'm sorry about that, but on this document I don't have who the auditors were, so it's difficult for me to recall—

Interjection: That came from the Ministry of Health.

Mr Cordiano: That's the Ministry of Health one, but I don't know who the auditors were. There's no mention on this, on the front page anyway, of the authors of this report. I apologize. I may have overlooked that.

Madam Chair, I thought we were going to hear from both auditors, on both reports, at the same time. I can't distinguish between who's done what on these audits if we don't have clear identification on the documents themselves of who's done which audit and I can refer back and forth to each audit. Let's try and clarify that first.

The Vice-Chair: Mr Cordiano, my understanding was that the Ministry of Health officials might not all be here right at the beginning. If the auditor from the Ministry of Health is here at this time, could you please come up to the front and then identify yourself for Hansard. If there are any other staff from the Ministry of Health who wish to participate, please come forward as well. It would probably be helpful for members of the committee if you stayed at the front table so that if there are questions that arise, you would be available.

1050

Mrs Marland: Madam Chair, how are we going to proceed? Twenty minutes have now elapsed.

The Vice-Chair: Mr Cordiano started speaking at 10:34. There was a two-minute interruption with the business about the quorum and I added five minutes

because there was an agreement that each caucus would have 15 minutes. Mr Cordiano has one minute left of his time.

Mr Perruzza: Madam Chair, I don't know if this would be appropriate, but there are a lot of people here today, so we really don't know who we have here. Would it be appropriate to get people in the gallery to introduce themselves and let us know where they're from?

Mrs Marland: Go and ask them yourself.

The Vice-Chair: I don't think there's any need. Some of the people present may be members of the public. I think what we're interested in are the witnesses who are presenting.

Mr Perruzza: It would be good if they identified themselves as the public. We don't need to know their names, but we should know the ministry people.

Mrs Marland: You're taking up Joe's time.

The Vice-Chair: Mr Cordiano, would you like to continue. Would you like the official from the Ministry of Health to respond?

Mr Cordiano: The point I'm trying to make is that these audits deal with agencies that have funding from both Health and Housing, and there's some overlap. Let's try to deal with them in a consistent and uniform fashion. That's what I'm trying to say. There will be questions that run across both ministries, so perhaps the authors of all those audits would come forward. I'd like to put the previous question to—I'm sorry; your name again?

Mr Karim Amin: My name is Karim Amin. I am the former director of audit for the Ministry of Health. I am currently the director of supply and financial services in the Ministry of Health. With respect, Madam Chair, I also have an introduction for my presentation, and I also have a level of information I could present to the committee before I can choose to take questions.

I would, however, advise you that I have two other auditors with me who would be pleased to join me in answering questions at this time. I would also state that my understanding was that we would start at 11 o'clock, or that the second set of auditors would start at 11 o'clock with respect to Ministry of Health audits, so we allowed ourselves to plan accordingly. However, if the Chair wishes another procedure, we'd be happy to comply.

Mrs Marland: Yes, but just ask a question, get an answer, and then I'd like a turn.

The Vice-Chair: We have a little bit of difficulty. I apologize. I wasn't aware that you wouldn't be presenting till 11 o'clock and you have not had an opportunity to make opening comments. I would suggest that at this time you make those opening comments, because I suspect that members' questions will cross both audits. Once you've had the opportunity to make your presentation, then you may address Mr Cordiano's question at that time, and then we will move directly to Mrs Marland.

Mrs Marland: How long are you going to be, Mr Amin?

Mr Amin: Honourable member, I have a few pages

of introduction to give, similar to Mr Glendenning's. It will set the stage for my presentation.

Mrs Marland: Mr Glendenning was four minutes, so that's fine.

The Vice-Chair: Perhaps the other thing you could do is invite your two auditors to join you at the table and introduce them so that if there are questions, committee members could ask them. We'll provide an additional chair for you.

Mrs Marland: I feel like we're being stage-managed here.

Mr Gary Wilson: Do you want the information or don't you?

Mrs Marland: Yes, but I have specific questions and I don't think I need a whole stage presentation. That's all I'm saying. I'd like to use my time to ask specific questions, and I don't mind who answers them.

Mr Gary Wilson: You'll get your chance, I'm sure.

The Vice-Chair: Mr Amin, could you please identify the two auditors who are with you.

Mr Amin: With me today are Mr Vincent Liu, chief auditor, Ministry of Health, and Mr Ali Ebrahim, management auditor, Ministry of Health. I was the former director of audit. I am currently not the director of audit, but it was I who signed the three audit reports the Ministry of Health has before the committee today and I feel it's incumbent upon myself to present myself here for questions and discussion.

I shall attempt to be quite brief with respect to my opening remarks. What is important is that in the Ministry of Health, our audit branch is quite independent. It obtains its authority from the deputy minister and the audit committee. Over the years we have selected audits from a wide variety of programs in the ministry and we used such factors as financial risk, date of last audit, budget size, input from senior management and direction from our audit committee to select these audits.

I will have to deal very methodically with respect to the issue of the Houselink audit. It's for that reason that I requested the opportunity to present to you what I consider the key events leading to the audit.

In 1989, the community mental health branch in the Ministry of Health requested an audit as one of 12 audits. The audit was Houselink homes. An auditor was assigned to do the audit on March 26, 1990, and as part of the process, appropriate terms of reference were developed for this audit.

Shortly after the inception of the audit, the auditor received a number of anonymous phone calls. The salient issues coming out of these phone calls were: (1) the limited role of the board in relation to the approval of expenditures, direction provided by the board to the executive director, and lack of accountability for ministry funds; and (2) the excess authority exercised by the executive director. In performing the audit, the auditor was able to quickly address the significant concerns brought out in the anonymous phone calls.

As part of the audit process, the auditor met with the chair and treasurer of the Houselink board for the first

time on June 5, 1990, to share with them the tentative audit findings. I would underline that the question of governance is significant in the management of these types of corporations.

Following discussion between the audit branch and the former director of the community mental health branch, I as director of audit made the decision on June 13, 1990, to expand the audit period for determination of surplus from two years to eight years; that is to say, detailed analysis for two years and determination of surplus funds for eight years.

The field work was completed in July 1990. The auditor met with the executive director of the Houselink corporation on August 14 and August 28, 1990, to communicate the audit findings and to request additional supporting documentation and other information. The executive director resigned on September 14, 1990, at which time we had not received all the documentation requested.

On October 5, 1990, the auditor met with the director of the community mental health branch on the findings. The director of the community mental health branch agreed to request a meeting with the Ministry of Housing to discuss the surplus and other issues. This meeting took place on October 12, 1990. Present at that meeting were representatives from the respective two ministries' audit branches and program areas.

A subsequent meeting took place on November 6, 1990, following which a draft audit report was issued to the director, community mental health branch, on November 23, 1990, with a copy to the director of our fiscal resources branch. They do the budgeting.

Several more meetings took place between representatives of the two ministries and the Houselink board, as well as an exchange of correspondence, with a view to issuing the final report. Houselink's response to the draft audit report was sent to the director, community mental health branch. The response was dated April 30, 1991, and was signed by the then president of the board.

In response to our draft report dated November 23, 1990, the community mental health branch advised the audit branch in writing on September 27, 1991, indicating its general agreement with the contents and recommendations of the audit report. The final report was then issued on October 24, 1991, to the deputy minister.

The Houselink Community Homes audit was one that in my view required a lot of professional judgement and due care. With your permission, I will outline the key elements of that report for the committee.

Mr Cordiano: I would like to move on to some questions. I only have one or two minutes left, but—

Mr Marchese: You don't have any time.

Mr Cordiano: Wait a minute; I do so.

Mr Marchese: You asked your question.

1100

Mr Tilson: On a point of order, Madam Chair: On the question that's just been raised, I think this committee should have as much information as possible. The problem is that we've got a gun to our heads as far as

time is concerned. The government members have put a time limit on how much we're going to debate this issue and it's already—

Mr Gary Wilson: You're taking it up now.

The Vice-Chair: Mr Tilson, are you suggesting that at this stage we revert to questions?

Mr Tilson: I think a number of members have quite a few questions to ask. The difficulty is that this information may be most pertinent that he's going to tell us and what the committee should know, but we may not have any time for questions because of the gun that's been put to our heads by the government members.

Mrs Marland: Can we have the auditors next week as well?

The Vice-Chair: We could check for availability in the event that members' questions aren't fully answered this week. Would you be available to appear next Thursday at 9:15 should that be required?

Mr Glendenning: We are available from the Ministry of Housing; there's no question. We want to be here to respond to your questions.

Mr Amin: As best as I know, I have a classification hearing. It's a statutory hearing that I've been scheduled to be part of. It's an independent hearing.

Mrs Marland: But your staff could be here?

Mr Amin: I feel certain, yes.

Interjection: Can we have a copy of those comments as well?

Mr Tilson: Having heard that, I'm sure I'd like to hear what he has to say.

The Vice-Chair: We'll ask you then if you would continue with your presentation and after that, we'll revert to questions. Mr Cordiano asked a specific question. If you could address it in your comments, that would be helpful.

Mr Amin: There are four significant parts to the Houselink audit that I'd like to outline. First, we'll cover part of what Mr Cordiano asked.

Surplus: In determining the surplus, we used the audited financial statements prepared by the external auditors. We defined surplus simply as the excess of revenue; that is, money paid by the ministry over actual expenditures.

Our analysis of the surplus account covered the period 1983-84 to 1989-90, while the audit amount covered the two years, 1988-89 and 1989-90.

According to our calculation based on information contained in financial statements, the accumulated surplus was \$2,176,115. To this figure, we added \$25,000 for amortization and mortgage interest, deducted \$35,675 for furniture and equipment purchases and deducted a further \$300,000, an amount considered allowable by the community mental health branch regarding renovations. After these adjustments, the amount recoverable by the Ministry of Health at March 31, 1990, was \$1,865,440.

Subsequently, the community mental health branch approved an additional \$129,665 for capital expenditure.

This leaves \$1,735,775, which was recovered in its

entirety by the ministry by September 1991.

The reasons for the surplus are (1) operating budgets were approved and funded by the ministry and Houselink did not spend them entirely; (2) one-time funding by the ministry for specific properties and projects were not spent or were spent partially.

The factors which contributed to the surplus are (1) no annual settlements were prepared for review by the Ministry of Health for two years by Houselink; (2) no annual activity review reports were submitted to the ministry for review as part of the evaluatory process.

They were real good, hard reasons why the surplus accumulated.

The second part of our report dealt with what we call unapproved and unsubstantiated payments. Our intention in preparing this section of the report was to bring to the attention of the community mental health branch situations which, in our opinion, were either not in line with good business practices or in compliance with ministry guidelines.

We recommended that the branch review the situations and take appropriate action. There were several situations brought to their attention.

Mrs Marland: No figures for that?

Mr Amin: It was \$248,000.

Internal control weaknesses: We believe that internal control is a vital part of any organization. Internal control has been defined as the plan of organization and all the coordinate systems established by the management of an enterprise to assist in achieving management's objectives of ensuring, as far as practical, the orderly and efficient conduct of its business, including the safeguarding of assets, the reliability of accounting records and the timely preparation of reliable financial information.

Our intent was to bring to the Houselink board and the ministry program management weaknesses in the internal control system for their review and action. Our observation pointed to internal control weaknesses in several significant areas.

Governance—inappropriate board structure and ineffective management practices: We observed that the board had little control over Houselink's affairs, particularly the executive director, and lacked accountability for ministry funds.

Of significance, the board chair—

Mr Tilson: Chair or executive director?

Mr Amin: The chair, sir.

Of significance, the board chair and members were not fully aware of the major financial decisions taken by the executive director. Very few board meetings were held during the two-year audit period and minutes were not signed by the chair. Quarterly reports, annual program activity reports and year-end settlement forms were not prepared appropriately and submitted to the ministry. The board did not have active committees such as finance and personnel to assist in the discharge of its duties.

Finally, I wish to advise that the community mental health branch took action to recover the surplus funds immediately after the issuance of the draft report dated

November 23, 1990. Also, by October 1991, the majority of the issues identified in the final audit report were addressed by the branch in cooperation with Houselink.

The Vice-Chair: We'll go to questions now. Mrs Marland, 15 minutes.

Mrs Marland: I heard very clearly what Mr Singh said, that they did not uncover any unlawful activity. I also heard very clearly what Mr Glendenning said, which was that the prime purpose is management control, not wrongdoing.

It makes me wonder, if I had just arrived on this planet and I looked at some of the newspaper clippings that were reporting some of the issues arising out of the Houselink audit, for example: The agency stockpiled \$2.2 million in excess funds in its bank accounts; the staff overpaid themselves \$248,349 in benefits and excess salaries without approval and used public funds for unauthorized travel, board dinners, parking tickets, wine and liquor for residents' parties; the agency inflated its expenses for repairs, maintenance and janitorial work; the agency failed to get competitive bids for major contracts; sloppy accounting practices; cost overruns on two developments of \$630,000 and \$1.1 million.

We also notice, with some interest of course, that there is a strong relationship between whom Houselink employs, namely, Meg Sears, the mother of Bob Rae's former campaign manager, Robin Sears—and interestingly enough, Bruce Lewis was the lawyer in the past for Houselink. He also is the lawyer for the Toronto Islands, which refers to questions I asked yesterday in the House. Mr Lewis is married to Mary Lewis, the chief of staff for the Minister of Health.

Mr Gary Wilson: Are there questions here?

Mrs Marland: You're so frightened, aren't you, Mr Wilson?

The Vice-Chair: Mrs Marland has the floor.

Mrs Marland: The point is that we have a situation where Houselink has been dubbed with a number of major allegations. We're told there is still \$310,000 that hasn't been properly accounted for. We're told that an audit investigating the spending by the executive director of Houselink showed that money was spent on extra salaries, landscaping, internal air travel and furniture, between the years 1980 and 1990. This sounds like a tremendous amount of unacceptable expenditure of public funds. It sounds like a tremendous amount of absolute lack of accountability.

1110

You have said, Mr Amin, that there were weaknesses in several significant areas. You have said that the minutes were not even signed by the chair of the board and that the board had little control over the affairs of Houselink or little control over the executive director.

My concern is, now that we are getting some of these facts out in the open, how can we turn around and say that none of this was unlawful activity? I'm looking at Mr Singh when I ask this, because those were your words, that there was no unlawful activity. Is a board of either of these organizations—and of course it would apply for the whole province—liable or responsible for

what goes on in its corporation?

Mr Singh: I just want to make a couple of comments. I think in my presentation I stressed that to prove unlawful activity, you have to have the element of an intent to deceive. In the case of Houselink, the Housing transactions anyway that we looked at, we did not establish that.

When you mention the \$2.4 million that was sitting there as a surplus, yes it was. However, in the case of the Ministry of Housing, our settlement was late and we did not go back in 1989 or 1990. So that's one thing.

As to the staff overpayment that you mentioned, again the intent to deceive was not there. When the Health auditors went in, there was no intention of hiding that from them. In Housing—I can only speak for Housing—we didn't have appropriate policies in place and so you cannot do this.

Mrs Marland: What you're saying is that you couldn't establish the intent because you didn't have the tools to do it.

Mr Singh: No. I'm saying that we did not have the appropriate policies. At the time when we did the Houselink audit, we didn't even have agreements with them, the Housing ministry.

Mrs Marland: Oh. Okay. Then this comes back to something this committee has been asking the Minister of Housing for three years, which is, are there operating agreements in effect between these non-profit housing agencies and the government? It's been a concern identified by the Provincial Auditor. It's now very revealing to hear that we can't get at the root of what a problem is or lay blame because there's nothing that tells them how to operate. Is that what we're saying?

Mr Singh: Essentially, yes, at that time.

Mr Gary Wilson: The Minister of Housing is waiting to come back to respond to those issues.

Mr Tilson: On this point, notwithstanding the fact that the committee is aware that many of the housing agencies across the province don't have operating agreements—I think we're aware of that—all of the allegations that have been made and comments that have been made, not only in both the audit reports but in the media, have suggested criminal activity; in other words, breach of trust, money that's simply unaccounted for, breach of trust moneys, taxpayers' trust moneys.

I suppose it's not for you, as auditors—my question is to both Housing and Health officials that are here—to allege criminal activity; I don't think that's your role. But certainly the real question is that if there's any suggestion of criminal activity, of taking moneys, notwithstanding that moneys may have been returned—we've heard that, that moneys were taken improperly and returned; that's one issue. But the other issue was, if there's any suggestion of criminal activity, would you have the authority or would you be able to report that activity to the police, and did you?

Mr Singh: If I can comment on that, over 17 years of auditing in the government and another three years in the private sector, I have come across quite a number of fraud cases and when that happened, we reported it. In some of them I've worked with the police; it's a police

call. So to answer your question, a definite yes.

Mr Tilson: Did you report the activity, as a result of your audits, to the police? My question is to both audit staff.

Mr Singh: I'm talking of previous audits. I'm not talking about Houselink.

Mr Tilson: I'm talking about these audits, sir.

Mr Singh: We did not find any instance of unlawful activity.

Mr Amin: I think the question is a very fair question in the circumstances. When one sees that amount of public money written up in a report, and a professionally prepared report, I must add—for the benefit of the House, I will let you know that each of these members here with myself have had many years of auditing and accounting experience. I am a certified general accountant; so is Mr Liu; Mr Ebrahim is an ICA finalist and a bachelor of commerce, so we have had a number of years of training and experience in this business.

It's a very fair question you've asked. In relation to the management of public funds, it ought to be asked every time. We have, in the Ministry of Health, as you're very well aware, a number of programs and they receive lots of money. Our audit branch, over the years, has had experience in dealing with fraud, near-fraud, bad management practices etc, and we have in the past worked with the anti-racket squad, with the crown law office and we have secured convictions over the years when we recognized that fraud had been committed.

In relation to this situation and in relation to the questions you have asked, we did not have evidence to suggest that there was criminal activity, nor did we have any evidence to suggest that the police ought to be called in. Therefore, sir, with respect to your question, we had no basis on which to call in the police.

Mr Tilson: The problem is that there is a whole pile of money, almost \$400,000, unaccounted for. Where did it go?

Mr Amin: No, sir, with respect, I would say that all the money has been accounted for. What has happened is that moneys were paid in extra salaries and bonuses which were outside of funding guidelines.

Mr Tilson: All right, so you're telling me that moneys were spent and you know where it went, but it was spent beyond the authority that was given by the Ministry of Health or the Ministry of Housing.

Mrs Marland: That's right.

Mr Amin: That's right.

Mr Tilson: That's called criminal activity.

Mr Amin: I must beg to differ.

Mr Tilson: You disagree with that.

Mr Amin: Yes, sir.

Mr Tilson: The issue that when moneys are spent beyond the authority that was given by the grantor, namely, the taxpayer or the government, the various ministries: If those moneys are either spent for unauthorized purposes, or put in the personal pockets of staff, are you telling me that's not criminal activity?

Mr Amin: I have to repeat and say it's not criminal activity. The definition, as was pointed out earlier on, with respect to intent to defraud is very clean and very understood. What we have here is bad management practices.

Mr Tilson: Sir, the fact of the matter is that staff have put money into their own pockets and they weren't authorized to do so. I can list all the matters that Mrs Marland—took trips, antiques, all kinds of unbelievable things they weren't authorized to do. I can't believe you're sitting here and telling me that's not criminal activity.

Mr Amin: You see, sir, the definition of "criminal activity" is very precise.

Mr Tilson: Yes, it is.

Mr Amin: In our judgement, the actions by the Houselink management did not constitute criminal activity.

Mrs Marland: You focus your answer on the intent. What I want to ask you is, in your own words, you said "unapproved, unsubstantiated payments of \$248,000"; a quarter of a million dollars, in your own words, unapproved, unsubstantiated. I don't take any question about your personal credentials, Mr Amin, and the staff and the five of you sitting here. My concern is, when does it have intent?

If you are approved as a staff person to spend so many dollars in several areas, including your own wages that go into your own pocket, and you get more than that, you take more than that without permission, when does it become an illegal activity? Maybe I should be asking a lawyer this, because you're dealing with it as an accountant and you're dealing with it under the authority that's laid out by the ministry, so maybe you're the wrong person to be asked. Maybe someone else has to say: "If you do something without approval, I'm sorry, folks, it's illegal. You've taken money that was not appropriated to that purpose, and especially if it's your own salaries." When would you report that and say, "Look, I can't prove intent but this person has more money than was approved, or it was spent somewhere where it wasn't approved"?

Mr Amin: We must conclude, based upon our examination, that those payments were outside the guidelines. Bonuses were paid that were outside the guidelines.

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Mr Tilson: What guidelines?

Mr Amin: The ministry guidelines with respect to how the agency should operate.

Mr Tilson: There's no agreement.

Mr Amin: The Ministry of Health has—

Mr Tilson: Oh, you're right. I understand. Okay.

Mr Amin: —guidelines within which the agency can operate.

Mr Tilson: And you're saying they're within the guidelines or outside the guidelines?

Mr Amin: They were outside the guidelines.

Mr Tilson: Yes. So Mrs Marland—

Mr Amin: When they're outside the guidelines, they do not constitute a criminal act. What they constitute is, they have broken the guidelines.

Mr Tilson: I'm sorry, they don't?

Mr Amin: They do not constitute a criminal act; they constitute that they have gone beyond the guidelines.

Mrs Marland: You have to rob a bank, I guess, for it to be a criminal act, but if it's government funds and public taxpayers' money, it doesn't matter. I mean, what we're saying is that because it's public funds and there are certain guidelines, anything outside of that is not a criminal act. It's unbelievable to think that we have that kind of colossal lack of control of expenditure of public taxpayers' money in this province today. It's unbelievable, and going back for so many years.

The Vice-Chair: Mrs Marland, the Conservative time is over plus we have a quorum call. So I'm adjourning the committee meeting until such time as the bells cease.

We'll now go to the government side, and we have Mr Marchese and Mr Perruzza on the list.

Mr Marchese: It must be terribly frustrating for some of the members of this committee to have these deputants not agree with their suggestions that this is criminal activity.

Mr Tilson: It's okay. It's okay to do this stuff.

Mr Marchese: It's good for you to feel free to be able to comment as openly as you can, not to be either intimidated or feel guilty that you're not agreeing with some members who want to force criminal activity on individuals.

Mrs Marland: You might as well send a notice out to all our staff to do whatever they want to do.

Mr Marchese: What we're here to do is to establish—

The Vice-Chair: Mrs Marland, Mr Marchese has the floor. I'd ask you not to interrupt.

Mr Marchese: What we're here to do is to establish whether things that have been done by these organizations and/or others are inappropriate and what you and we are doing to make sure that those inappropriate practices are being dealt with. That's hopefully what we're here to do.

If there is criminal activity, that is something that should be pursued. I understand and appreciate that. But having heard what these auditors are saying, I think that we should appreciate their comments and attempt to get to practices that solve inappropriate activity.

I want to ask you some questions in terms of accounting, audit process. All of you can answer as briefly as you can. On the issue of audits: How do ministries decide which non-profit organizations are to be audited?

Mr Singh: In the case of the Housing ministry, non-profit audits are requested—when I was there, anyway. This is why in both Houselink and Supportive Housing Coalition audits have been requested by program managers. They may not be representative of the entire non-profit program simply because the program staff, when they request these audits, know that there are some problems with them.

Mr Marchese: Is that the same for you, Mr Amin?

Mr Amin: We are slightly different. We also in the audit branch identify audits on our own. We do an independent pick of some audits. What happened in this particular case is that we were given 12 audits by the branch to do, and Houselink was on that list. We are also given audits by the deputy minister and the senior officers of the Ministry of Health because, as you know, our function is to report to the deputy minister.

Mr Marchese: We obviously have had non-profit housing for quite some time. Did you begin doing these audits in the 1980s? Because we've had federal-provincial programs, housing programs as well. Did you have audits then? Did you initiate audits in 1986, 1987, 1988? If so, was the process the same or have things changed over the years?

Mr Amin: The process is the same.

Mr Marchese: Did you conduct audits in 1982 or 1986 or 1987 of the different organizations?

Mr Amin: Yes.

Mr Marchese: Mr Singh?

Mr Singh: I only arrived in the audit branch of the Ministry of Housing in 1990, and Housing was one of the first audits that we did in the non-profit program. I cannot really speak for what happened before then.

Mr Marchese: I see. Any other knowledge? Okay. How many audits do you do a year?

Mr Glendenning: As I said in my remarks, in the Ministry of Housing we do 10 to 12 audits a year, but I should add to what Mr Singh has said. He was pointing to the system that existed at the time of the Houselink audit. Today we have a slightly better, improved version, if you like, of selecting the non-profit audits in that we go through a process of examining submissions from the regional offices and rating them based on audit selection criteria. There are selection criteria and a process in place now which we go through on an annual basis. But to answer your question directly, 10 to 12 a year.

Mr Marchese: I'm assuming that you're streamlining or improving your accountability mechanisms as a result of these kinds of audits you've done very recently, in the last couple of years. Is that what has made you change your audit practices? Have you not in the past—you weren't here, so it's difficult for you to comment, but you were, Mr Amin. Have you not in the past observed accounting practices that you think you might have wanted to change and did not? Is this the first time that some of you have begun to think about changing accounting practices?

Mr Amin: Heavens, no. We have, over the years, made a recommendation to many agencies across the province to improve their management practices, their accounting practices, their reporting practices. I've been here since 1983 and we've done that, I would say, from then on.

Let me tell you, sir, on the issue of accountability and management, we in the Ministry of Health have had a constant development and improvement as part of our business because we have that number of agencies, that number of significant programs out there.

Mr Marchese: It was useful to have the auditor say earlier on, as a way of correcting or clarifying things that Mr Cordiano was saying, that he did have access to these audit reports that you all made. That is correct, is it not?

Mr Amin: As a standard practice when the Provincial Auditor's representatives come to our office—our director is Mr Michael Teixeira and we have worked together very closely over the last 10, 12, 14 years—they have complete, unrestricted access to all our files and personnel.

Mr Singh: If I can comment on that too, Gary Peall is the director responsible for auditing the Ministry of Housing. When I was there as director of internal audit, whenever his staff came—each year they would come to review our work—the first thing I would give them is a binder of all our audit reports. From there they can choose to look at whatever they want. They have full access.

Mr Marchese: Were there any data that he did not have access to?

Mr Amin: Not at all.

Mr Marchese: He had access to all the data that you had?

Mr Amin: That's right, sir.

The Vice-Chair: Mr Marchese, the auditor has asked if he can make a point of clarification.

Mr Marchese: Yes, please.

Mr Peters: Just a point: Let me just deal directly with the issue here. If there had been any constraint on our access to information, that would have been part of our report. The fact is that we did not carry out an audit of the mental health program of which Houselink I think is a part—I forget the exact title. It's community mental health—

Mr Amin: That's right, and it has since been changed. You have to learn a new title now.

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Mr Peters: I see. That changes too. So we did not audit this.

I would like to pursue though, if I may, with the permission of the committee, the point of fraud versus breach of public trust. The auditor may identify a situation that could become fraud if the auditor brings the matter to the attention of management and management does not take the necessary corrective action.

I have a very specific question for you in this particular case. There were reported unapproved and unsubstantiated payments of \$248,000. How were these disposed of by management after? Were they ultimately approved by somebody in management to make them legitimate? Did you obtain approval?

Mr Amin: Mr Peters, when we agreed to appear before this House—this is just a preamble to answer your question—we had it broken down in three pieces. That question would have been put to our program people with respect to the disposition of the recommendations. Do you get what I'm saying?

Mr Peters: You're right.

Mr Amin: We have received response for the purpose

of issuing our report, and the community mental health branch has addressed each of the recommendations with respect to that amount of money. All of that money was spent in the interests of the Houselink corporation, and the community mental health branch has disposed of each of those recommendations, as management.

Mr Peters: Okay. Then let me ask you a very specific—

Mr Marchese: Mr Peters, I appreciate your questions but you are taking away some of my time.

Mr Peters: I'm sorry, I didn't think the Chair would take away from your time.

The Vice-Chair: No, Mr Marchese, whenever the auditor requests time, I always add it on to the caucus time.

Mr Marchese: Very well. Then he can continue.

Mr Peters: I had a very specific question where, for example, somebody makes a contribution to an RRSP. You would admit that if it's unapproved and unsubstantiated, then it is not directly linked to the program, so somebody in the program must get down to approving that particular transaction.

Mr Amin: That's correct.

Mr Peters: You say the disposition of your recommendation was then that ultimately management in the Health ministry approved this transaction?

Mr Amin: The policy of the ministry has been to allow RRSP contributions for employees as a part of benefit packages. As you very well know, sir, these small agencies do not have pension plans. It is therefore a part of the benefit package that the ministry has introduced a policy with respect to RRSP contribution. The ministry will be undertaking a broader look at the pension plan and the policy with respect to benefits to these agencies in the next little while.

Mr Peters: So, in your opinion, would the \$248,000 ultimately have been approved by a proper authority within your ministry?

Mr Amin: Yes, sir.

Mr Peters: Okay. That was the line of questioning I wanted.

Mr Marchese: I think they're very appropriate questions, because the point is, how do we take corrective actions on things that we believe are either inappropriate or could be interpreted as being inappropriate? That's what we want to get to. Do the non-profit organizations do their own audits?

Mr Singh: Each non-profit organization is required to have an audit done by an external auditor. That is an attest audit, as my colleague Andy here said. An attest audit essentially verifies the accuracy of the financial statements. They do not go into the appropriateness of expenditures like we do in our internal audits. However, as Andy has said earlier, we are working with the institute of chartered accountants to come up with more requirements for the external auditors.

Mr Marchese: Right. That's in essence what I was going to ask you: Are attest audits inadequate? I appreciate what you just said, that in some cases, obviously they

don't get into the detail that we would want. What I think you said earlier on is that you've introduced other practices that get to that; I think it was you, Mr Glendenning.

Do you want to comment on that with respect to audits, in terms of whether attest audits are adequate or inadequate and other practices that you're initiating to deal with that?

Mr Amin: Well, sir, I will not speak to either adequate or inadequate, because that's a matter for the public practice organization.

Let me say that the Ministry of Health requires annual financial statements audited by a public practitioner. That is part of our requirements.

Mr Marchese: I want to ask again for the record: I think you've touched on a lot of things that you believe have been done by Houselink and Supportive Housing Coalition to address your concerns. Can you quickly outline areas that have been dealt with or areas that you still feel need to be addressed? Either of you. Mr Singh.

Mr Singh: As far as I'm concerned, in the case of Houselink, I'm given to understand that all our recommendations have been implemented, but our program staff here can give you the details.

Mr Marchese: All right.

Mr Glendenning: I think that question might be better addressed at a later meeting of the public accounts committee when we can deal with the program staff and what actions they've taken as a result of the audit.

Mr Marchese: Mr Amin, anything further to add?

Mr Amin: I think I'll agree with Mr Glendenning, but I'd like to underline very significantly that ever since the draft audit report was issued, corrective action started by the ministry program staff, by the new Houselink executive director, by the new Houselink board. I should say that the new Houselink board chair was very, very instrumental in bringing about significant change to this process and to this corporation.

Mr Marchese: Thank you, Madam Chair. There are others who want to speak.

The Vice-Chair: Yes, the government has six minutes left, and I have Mr Perruzza and Mr Wilson.

Mr Perruzza: Just very quickly, the way I understand it, and I've just been going through some of the comments that were made here earlier, this particular agency was chosen I guess as one of 12 within the Ministry of Housing.

Mr Glendenning: If I could just clarify, sir, Ministry of Health.

Mr Perruzza: Please let me say this, and then I'll give you a chance to clarify it. The Ministry of Health selected it as one of 12. You went in, you took a look. Some people called you. You got some anonymous phone calls. You went in, you looked at it, obviously in much more detail, then you contacted or informed the Ministry of Housing and said, "Look, you guys better get in on this and take a look at it because there's a problem here that we want you to take a look at." Right? If I understand that correctly.

I want to backtrack a little bit, and I've been thinking here of a barn. Somebody went in and opened the door, fired a shot in the air and all the horses got out. Then we discovered that not all of them ended up in the pasture but that some of them headed elsewhere.

What I'd like to know and I guess my question has a lot more to do with how the gate gets opened and how the shot is fired in the air: How did these guys end up with \$2 million more? Every agency that I've ever known has always come and cried the blues of how underfunded it is and how it can't then make ends meet with the moneys it's getting. So how would these guys be able to access all of this surplus cash and just stow it in the bank and send some of it elsewhere?

Maybe from the Ministry of Housing.

Mr Singh: From two main areas: When they are building a capital project there is such a thing called a final capital cost accounting for that. That money is actually provided by financial institutions, but in what is budgeted and what is the actual there could be a difference. They're supposed to return that money to reduce the mortgage, but if they don't, that could become a surplus.

Then when the project is in operation, every year there's a budget that you're going to spend. You budget \$1 million and you only spend \$900,000, so you have \$100,000 remaining. If they do not return it to the ministry or if the ministry is lax in reconciling, then it accumulates, and in the case of Houselink this is why, over the years, \$2.4 million accumulated.

Mr Perruzza: Just in a simple way, they come in and submit a proposal. Right? A budget. They itemize in that budget and in that proposal what it is they need the money for, item by item. Right? Obviously, the ministry has its own sort of standard about what it's going to give. They don't necessarily provide all of the moneys that are essentially being asked for. Right? Now there's this paperwork. Somebody in the ministry has to respond to that and then they give the money on the basis of that.

We don't have any of that information here. That hasn't been provided. Is there a way that we could get that for this period so that we could take a look at what it is that they were asking for, what it is that they were being given and what essentially happened? The thing that I'm interested in is, where are the checks and balances and where is the scrutiny before the horses actually are let out of the barn? Because once they're gone, as Mr Tilson says, they're gone.

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Mr Singh: I don't have that information here, but I'm sure I can get it for you from program staff.

Mr Perruzza: So we would get all of that documentation, the applications, the budgets, the moneys that were issued, who had the authority to provide that, to release those funds, and who provided the scrutiny for that. Because obviously, if you give them some money and then somebody comes back at some point and says, "Well, we need some more," somebody has to say, "Well, Jeez, you didn't spend all the money we gave you last time."

Mr Singh: If I could just make a comment, at the end of the year there is a process called settlement whereby the ministry is supposed to say, "Okay, this is what we gave you. How much did you actually spend?" In the Houselink report, we did identify that the ministry was—we were rather late in settlement and this is why they had a surplus built up.

Mr Perruzza: Okay, but I'd be getting that information from you before next week? Thank you.

The Vice-Chair: I'm sorry, Mr Perruzza, the government time is over. Just before we divide the remaining time evenly, we will go to the auditor for a comment and question.

Mr Peters: I would just like to make a very quick comment based on the last questions that were raised. In fact, that was the major thrust of our audit report. That's the matter specifically that we brought to the attention of the Legislative Assembly, that indeed there were very poor practices in approving the budgets of these organizations when they came forward. Simply at the time when the approvals of the budgets were made, very often they did not have the information where this organization stood financially.

The second part, which is also of major concern and is contained in this committee's interim report, is the matter of the operating agreements. Obviously, these are matters that have to be covered in operating agreements. Mr Singh might give the answer, but this committee has effectively already made recommendations to the ministry in this regard to improve those practices and we are very much looking forward to the ministry shaping up those practices, soon and effectively.

Mr Perruzza: Yes, but I still want to take a look.

Mr Peters: I'm not denying you that right at all. I just wanted to raise with you that this matter has been raised with the Deputy Minister of Housing.

The Vice-Chair: We only have 15 minutes left and there's every possibility we'll be called for a vote shortly before 12, so I would suggest four minutes per caucus, but we'll have to observe the time very closely. We'll start with the official opposition. Mr Cordiano, you have four minutes.

Mr Cordiano: Let me ask this of all the auditors in both ministries. I've forgotten who said this, but I thought I heard that 12 audits a year were scheduled for your department to be undertaken in the Ministry of Housing. Is that correct?

Mr Glendenning: I'm sorry, I didn't hear the question.

Mr Cordiano: Madam Chair, there's a little too much noise at this point.

The Vice-Chair: Could we cut down on the conversations.

Mr Cordiano: I thought I heard that you undertake 12 audits a year.

Mr Glendenning: Our current system allows us to perform about 12 audits a year. That's correct.

Mr Cordiano: When did that practice begin?

Mr Glendenning: After our experience with House-

link and Supportive Housing Coalition, I think our audits became more regular and more routinized.

Mr Cordiano: Give me a date, approximately.

Mr Glendenning: I'd be hard pressed to do that, but I would suggest in 1992.

Mr Cordiano: After 1992? In that year?

Mr Glendenning: Yes, around that. What we see is a gradual increase of the number of audits we have been doing since, let's say, Houselink. They have been increasing steadily each year. We're up to being able to perform 12 at this time.

Mr Cordiano: What about the Ministry of Health? Have you had a similar experience with these programs that overlap with the housing component?

Mr Amin: We don't have terribly many programs that overlap with housing components with the Ministry of Housing, but with respect to our community programs, we have had a history of doing quite a number of those over the years.

Mr Cordiano: I'm specifically referring to those that overlap.

Mr Amin: No. We have very few programs where we overlap with the Ministry of Housing.

Mr Cordiano: In the Ministry of Housing, though, you've done what amounts to several fiscal years of auditing. So you would have approximately 20 audits already conducted by this time?

Mr Glendenning: A little bit more than 20.

Mr Cordiano: In those audits that you've conducted, have you uncovered similar problems to what we're seeing in these audits?

Mr Glendenning: There have been some similar problems, but I'd be hard pressed to say that there's a particular pattern that is indicated by these audits.

Mr Cordiano: Would you be able to make those audits available to the committee?

Mr Glendenning: I understand that some of them are going—they are going to be released. Some of them aren't complete.

Mr Cordiano: I just want to make that clear on the record.

How much time do we have left? I want Mr Crozier to ask some questions.

The Vice-Chair: You have two minutes.

Mr Cordiano: In addition to that, I would ask how many of those audits, how many in those cases lacked operating agreements? The audits you selected.

Mr Glendenning: Off the top of my head, I'm sorry, I don't have that information with any precision.

Mr Cordiano: Would you provide us with that information?

The Vice-Chair: You have time for a very quick question and quick response.

Mr Cordiano: Okay. The operating agreements are one thing and I also ask what new criteria you were using in terms of capital costs assessment. I'm not getting at the right question here, but I think it's just going back to

what we determined was a problem in the auditor's findings with respect to maximum unit price. Did you analyse those capital costs in those new audits for a better and efficient use of capital dollars? Was the criterion of a more efficient use of those dollars applied when doing the audits?

Mr Glendenning: I think it would be fair to say that our audits are conducted against the ministry standards.

Mr Cordiano: New standards.

Mr Glendenning: I'm in a position where I'm speaking since January 1994 in terms of my experience, but as I understand it, those standards have been tightened up, so we would audit against those new standards.

Mrs Marland: I want to be very clear about your answer to our Provincial Auditor when you said that these overexpenditures were approved by senior staff at the ministry following the expenditure. I'd like to know if Robin Sears's mother's trip to Germany in 1989 to a mental health convention with the Houselink's former executive director was approved by senior staff in the Ministry, although we understand that the auditors didn't find any board records authorizing the trip.

Mr Amin: Yes. My understanding is it was approved.

Mrs Marland: Did the senior staff at the ministry also approve the—it was approved after the trip?

Mr Amin: After the trip.

Mrs Marland: After the trip, great. Did the same staff approve the overpayment of \$248,349 in benefits and excess salaries to staff?

Mr Amin: Yes.

Mrs Marland: After the audit?

Mr Amin: After the audit.

Mrs Marland: I would like to ask the same question about the payment for unauthorized travel, board dinners, parking tickets, wine and liquor for residents' parties. Were all of those approvals made by senior staff in the ministry after your audit?

Mr Amin: That's my understanding.

Mrs Marland: That's your understanding. Is that a different answer from Mr Amin than yes?

Mr Amin: Sometimes we use different language. I tell you what, our recommendation—

Mrs Marland: I just want to know, is it yes.

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Mr Amin: I would like to get to a fundamental part of our recommendation. Our recommendation—

Mrs Marland: No, I'd like to deal with my question.

Mr Amin: And I'm dealing with it, with respect.

Our recommendation asks that the program management review and take appropriate action. I would also suggest that questions of this nature with this detail, requiring management attention and management decision, may be better placed before managers when they come before the committee later on.

Mrs Marland: Fair enough. But I want to—

Mr Tilson: That's not true. Could I just pursue one

question? It gets back to the criminal element. If you believe that there has been misappropriation of funds and that misappropriation continued notwithstanding some approval after the act was done, after your audit was done—even if it had been done before your audit was done, but it was done after the audit was done—why wouldn't you as an accountant make recommendations or report that matter to the appropriate criminal authorities?

Mr Amin: Well, sir, with respect, the word you use is "misappropriation." In my judgement there was not misappropriation.

Mr Tilson: I used the word "criminal" activity.

Mr Amin: That too, sir, the word that you point to, if I have the knowledge of misappropriation—I didn't have misappropriation. Also, to answer your second part, I did not have evidence of criminal activity.

Mrs Marland: So what we have here is an example where the ministry auditors went in, diagnosed all these problems, reported them to senior staff who then said: "That's okay, boys and girls. We'll just pat you on the head. We'll authorize it. We'll clean it up. It's gone for ever."

In other words, the ministry, the staff above you, when they saw what you had identified, which was unapproved spending—whatever other word you want to use, it's unapproved spending—your bosses simply said: "That's fine. Of course, we'll approve it now. They've already had the free trip to Germany etc. We've already drunk the booze and the wine and so forth. We already have the surplus. We already have the cost overruns. We already have no competitive bids on major contracts because the buildings are built."

I want to be very clear that those approvals were all given after the fact, after these problems had been identified and to use your own words, your own accountancy jargon, "unauthorized and unsubstantiated expenditures" were then authorized and substantiated by the senior staff after the fact.

Mr Amin: I cannot speak to substantiation. Substantiation has a different meaning.

Mrs Marland: All right. Approval? Authorization?

Mr Amin: I can say that on the basis of what I know, and I think this is a matter for the program to speak to, the program addressed each of these concerns and did not seek to ask for the money back.

Mrs Marland: Does it scare you a little bit that we have thousands of similar agencies around this province that haven't had the good fortune of you and your staff having been in in the interest of the taxpayers of this province and found out how they operate, whether they overpay their salaries, they give unapproved bonuses, they have unapproved expenditures? As a taxpayer in this province, does that have some concern for you perhaps?

Mr Amin: Ms Marland, I want to tell you when it comes to the taxpayers' money I step with size 12 shoes. I like to think that I protect every penny as best as I can.

Mrs Marland: You do where you've been, but it's where you haven't been that frightens the rest of us.

The Vice-Chair: Mrs Marland, I'm sorry, the Conser-

vatives' time is over.

Mr Gary Wilson: Mr Marchese has an urgent question, if he wants to—

Mr Marchese: I just want to ask the auditors whether they know now or have ever known any NDPer, or have you ever been connected directly or indirectly to an NDPer, or are you affiliated to any NDPer, that could prejudice your views on this matter, yes or no?

Mr Amin: Mr Marchese, sir, I'd like to answer that question full sentence. I am not, have never been, neither do I ever plan to be, while I'm in the employ of the public service, a member of any political party. I will say that again: I do not intend to be and I have never been and never plan to be a member of any political party.

Mr Marchese: Thank you.

Mr Amin: I do not expect to be influenced by any political party. It is my business to be a public servant. Some of us still feel there are virtues in the public service.

Mrs Marland: There was before Dave Agnew became chair.

Mr Perruzza: On a point of order, Madam Chair: It's to the Ministry of Housing. I'd like to know if I can get from the Ministry of Health as well, please, the same reports that I asked for?

Mr Amin: If you would write it down. If you could give us a note on it, we would—

Mr Perruzza: I've said it in Hansard.

Mr Amin: Okay.

The Vice-Chair: Yes, Mr Perruzza, if you could after the meeting illuminate for the Ministry of Health officials which report you'd like. Mr Wilson, you have a couple of minutes left.

Mr Gary Wilson: Ten minutes? I think we've had a very—

Mrs Marland: There's nothing wrong with these people. What's wrong is at the top.

The Vice-Chair: Mrs Marland, Mr Wilson has the floor.

Mrs Marland: The fish rots from the head.

The Vice-Chair: Mrs Marland, Mr Wilson has the floor.

Mr Gary Wilson: I just wanted to say that I found this very informative for several reasons and that in fact what we're trying to do here I think is improve the process, and the auditors have shown how crucial a role they play in this.

Mr Tilson talks about a gun to the head. What we're trying to do is get to the Ministry of Housing so we can talk to them about the steps that it has taken in improving the process. That's why we've set a time limit that we've expanded through meeting earlier.

I would like to ask the auditors while they're here, because I had the impression from a question from the Tories that once you became an auditor with the government you changed your standards that you might have had as an auditor with the private sector. I'd just like to say—

Mrs Marland: A point of order, Madam Chair.

The Vice-Chair: Mr Wilson, Mrs Marland has a point of order.

Mrs Marland: My point of order is that the rules of this House which apply to this committee do not permit imputing motives. There was no question by a Tory that was reflecting the professionalism of these people that are before us this morning. I have already placed on the record—

Mr Gary Wilson: Is that a point of order, Madam Chair?

Mrs Marland: —I have no question of their professional integrity—

Mr Gary Wilson: Well, I said that's my impression.

Mrs Marland: —I would not ask him the question Mr Marchese asked, as a matter of fact.

The Vice-Chair: Mrs Marland—

Mr Gary Wilson: Well, let's clarify it then.

The Vice-Chair: —I'm returning the floor to Mr Wilson.

Mr Gary Wilson: I'd just like to know whether your practices change from one venue to the other.

Mr Amin: Mr Wilson, sir, with respect, I did not get the impression that the honourable member on this side of the floor in any way, shape or form suggested that my professional practice changed.

Mrs Marland: Thank you, Mr Amin.

Mr Amin: And with respect to your question, sir, I do not think my practice will change if I move from this room or the room next door to the one across the street. I do believe, sir, when we swear to a code of ethics, when we accept professional standing, we stay with all aspects of them.

Mrs Marland: Exactly.

Mr Gary Wilson: It's good to hear. As I say, that was my impression.

The Vice-Chair: We have completed our hearings for today. We will adjourn. At 9:15 next Thursday morning, it is my understanding that officials both from Housing and Health will be free to join us at that time. I do appreciate your cooperation.

The public accounts committee stands adjourned till next Thursday and we'll start sharply at 9:15.

The committee adjourned at 1158.

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**In attendance / présents*

Substitutions present / Membres remplaçants présents:

Wilson, Gary, (Kingston and The Islands/Kingston et Les Iles ND) for Mr Owens

Also taking part / Autres participants et participantes:

Amin, Karim, former director of audit, Ministry of Health

Ministry of Housing:

Glendenning, Andy, director, audit services branch

Singh, Brad, former director, audit services branch

Peters, Erik, Provincial Auditor

Clerk / Greffier: Decker, Todd

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service



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Assemblée législative de l'Ontario

Troisième session, 35^e législature

Official Report of Debates (Hansard)

Thursday 19 May 1994

Journal des débats (Hansard)

Jeudi 19 mai 1994

Standing committee on public accounts

Housing audits

Comité permanent des comptes publics

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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 19 May 1994

Jeudi 19 mai 1994

The committee met at 0928 in room 151.

HOUSING AUDITS

The Vice-Chair (Ms Dianne Poole): Good morning. I'd like to convene this session of the public accounts committee as we continue to look at issues concerning Houselink Community Homes Inc and Supportive Housing Coalition.

First of all, I apologize for the room change. Because the finance committee required translation for its witnesses this morning, it had first option to have room 151.

We'll now begin with the Ministry of Housing and Ministry of Health officials. I believe the understanding is that we'll begin with the audit section of the branches, continuing the questioning from last week. Following that line of questioning, we'll invite the Deputy Minister of Housing and the assistant deputy minister of Health to come forward.

Would the audit staff like to come forward at this time, please. Good morning and welcome back to public accounts. Mr Glendenning, before we begin with members' questions, I understand you have some responses from outstanding questions last week.

Mr Andy Glendenning: I thought we should try to put some more information on the table regarding questions that came up last week.

Several questions were directed to the issue of why the police weren't called as a result of the Houselink audit. We thought it would be helpful to the committee's deliberations if we presented an explanation of the auditor's view. I want to emphasize that I'm not a lawyer, so please don't take this as a definitive view.

In essence, the conditions under which a non-profit corporation receives provincial funding initiate a contract. While there were no formal operating agreements for some of the Houselink programs, the ministry had defined its expectations by which Houselink should operate through commitment letters, the non-profit manual and the budget approval process. Under common law, an offer of funds by one party and acceptance of conditions by another constitutes a contract. Breach of the conditions of a contract of that nature is a civil matter, where the only remedy is recovery of damages. A criminal matter, on the other hand, would require proof of dishonest intent or intent to defraud.

The difference between a civil matter and a criminal one lies in intent and in remedy. For example, if you pay for something and you feel you don't get your money's worth, this is a civil matter. The only remedy is suit for recovery of damages, in this case the purchase price.

Where criminal intent is proven, the result includes sentencing or punishment rather than only recovery.

The test for criminal action has to be the presence of dishonest intent, deceit or fraudulent intent. This has to be proved beyond a reasonable doubt—a very high test which is difficult to meet when it requires the interpretation of a contract.

Mismanagement of funds does not always amount to misappropriation if the ultimate application of the funds was directed to the overall mandate of the operation.

The other question that was raised concerned the operating agreements. We were asked, of the audits we performed, how many were without operating agreements. A review of the audit reports indicated that the absence of an operating agreement was noted in a little under half of the audit reports performed. As we have said earlier, the lack of an operating agreement does not mean that our expectations were not defined.

Those are some of the questions that were raised last time around. We are open.

The Vice-Chair: Thank you, Mr Glendenning. We'll start with the official opposition, a 15-minute round.

Mr Joseph Cordiano (Lawrence): Before we start, Madam Chair, could I ask what the time is for this morning's proceedings with the auditors? Is it 45 minutes?

The Vice-Chair: I think the idea was that members would have an opportunity to complete their line of questioning. If after the 45-minute period there are still outstanding questions, I suggest we continue until they're resolved and then go to the deputy minister and assistant deputy minister at that time.

Mr Cordiano: Thank you. Let's just start with that information regarding the operating agreements, where half the audits pointed to a lack of operating agreements. I would be very interested to have you identify—I suppose you wouldn't be able to do that this morning—which of those audits lacked operating agreements. In the absence of that, could you answer this question regarding the lack of operating agreements in half of those reports: Were they, on the whole, more problematic than the audits you performed on the reports that had operating agreements in place?

Mr Glendenning: That's a very good question. I think we would have to do a really in-depth analysis to answer that accurately. Very quickly, I would say not necessarily.

Also, on the point you raised, I didn't say half; it's under half, actually, just to be a little bit more precise.

I was reporting to you what the audit reports noted. In other words, the report itself said that in this case there were no operating agreements and made an appropriate recommendation that there should be operating agreements. The ministry is committed to putting those operating agreements in place. I think you can take it as a given that if the auditors noted there was no operating agreement, it was seen to be a problem.

Mr Cordiano: That concerns me a great deal. This committee has repeatedly, since the auditor's report of 1992, concluded that the lack of operating agreements was a very real problem, and we made recommendations in our report to the effect that operating agreements were urgently needed, and that if the ministry was proceeding as it had planned with the additional allocations, there would be problems on the horizon. That's why we saw operating agreements as a key component in rectifying problems pointed out by the auditor.

With all of these audits pointing to the same problems, and I understand that's half the audits you've examined—we don't have the time, at least in this series of hearings, to go into detail on those audits, but I suspect we would find a recurring theme in most of those audits, one that was familiar and seen throughout the auditor's findings in his report of 1992, so what we've suggested makes a great deal of sense with respect to the lack of operating agreements.

Let me move on. Perhaps I could ask the auditor's staff with respect to the audits that were conducted. I'm still not clear about the dates. There were different dates regarding different audits, and there were two, as you suggested to me last week—I think one was 1988 and the other was 1990.

Mr Gary Peall: The dates of the reports I believe were late 1991 and March 1992.

Mr Cordiano: But there were other reports on Houselink and SHC in the Ministry of Health, internal audits that were conducted that predated that. Perhaps when you get that answer, you could make that available.

At the end of the day, when we're looking at these audits, the thing I'm looking for is, what evidence is there that the ministry took whatever steps were necessary? As you were conducting these audits and as information came forward and you began to see a pattern of difficulties with some of these agencies—we know you've conducted a series of audits across different agencies—what was the thinking at the ministry? What actions were taken? That's a question I'm going to pose to the ministry, of course, when we get there. But as auditors you recommended that a series of initiatives be taken. Could you tell me what, in your opinion, was the outcome of these initiatives by the ministry? I want it from your point of view, because I will ask the ministry that question. Do you feel that satisfactory action was taken on your recommendations by the ministry? I know I'm asking an overall, general kind of question, but we will get into specifics with the ministry. I ask both of the auditors.

Mr Glendenning: If I could just answer first on that, I think you're quite correct that the answer is best directed to the program staff when they come up, but it's

a fair question to ask the auditors as well. I can indicate that our process in an audit normally is to solicit a response from our own regional office and the non-profit entities themselves regarding their position on the audit recommendations and what they're going to do in terms of action. I understand in these cases that a response was given, but I'll let Mr Singh address that more specifically.

0940

Mr Brad Singh: In the Houselink and Supportive Housing Coalition audits, when we finished the audits, the process we went through was that we issued a draft report and we discussed it with the program staff to get their views, and then we issued a final report. After the final report was issued, depending on the length of time—I don't have the actual information here, but I do recall that each and every recommendation we made on Houselink and SHC was addressed. They responded in writing saying they've taken corrective action. We went by that.

Mr Cordiano: They responded to you in writing. Were you satisfied that the management responsible for undertaking that action was indeed contacting the agency and taking the appropriate action, and that's where you would have left it off? And that's satisfactory?

Mr Singh: Yes. I understand they were working with the two agencies. That's why I took some time to generate the response. They were working with them, and in the end when we got the response, they addressed every recommendation we made.

Mr Cordiano: The next question is, how long did it take from the time you made your recommendations, the time the program people got back to you, responded in writing, and then set their action plan with regard to the agencies? How long did that process take?

Mr Singh: I don't have that detail here, but I can get that for you.

Mr Cordiano: So you couldn't be sure, as auditors, that the actions you recommended be taken and that in response were noted by the program people to be taken—at the end of the day you wouldn't know if the agency itself then responded to those requests.

Mr Singh: I have to take what the program people tell me in writing. For me to verify that would mean diverting resources to go out again to re-audit the same agency, which we just don't have enough resources to do. The process we followed did not call—

Mr Cordiano: I'm not suggesting re-auditing. I'm just suggesting that, at the end of the day, would the program people themselves—and again I state to you that I will ask them that question. It's clear that once you make your recommendations, you have no way of knowing whether they're carried out by the agency. That's where we lie in terms of the actions taken.

Mr Singh: I take their word for it in writing, because it is in writing. The response from the program people is in writing.

Mr Cordiano: This is very important to me, because this committee has made recommendations to the ministry that it take initiatives to implement recommendations we've made. We've made recommendations around

operating agreements, and to this date the ministry has been unable to implement all the operating agreements. The deputy has suggested he would like to come back, and we certainly will. But at the end of the day, once you made your recommendations, there was no way of knowing whether these were carried out, other than the correspondence you got, which was an intention to carry out these actions.

What concerns me is that once you have all these audits out there—and I understand that it's not your place to see that the action be carried out; it's the ministry's. Your duty as an auditor is to point out the problems. But when you have almost a quarter of a million dollars, in the case of the audit you did—I think it was the SHC audit, so it's probably with the Health people that we're talking about the quarter of a million dollars. I don't have the figure in front of me and I apologize; I'm just flipping through my documents. You found \$240,000-odd that—

Mr Karim Amin: I think the overall was \$2.1 million.

Mr Cordiano: I'm sorry. What am I talking about? I think you had a final audit that showed \$2.1 million outstanding that had to be collected, and at the end I think it was \$250,000 that still needed to be collected.

Mr Amin: I can forgive you for not remembering all the numbers because you have a busy life.

Mr Cordiano: I'm sorry, I should have had the number in front of me.

Mr Amin: With respect to the numbers, when we identified a final amount recoverable from the agency, all of that money was recovered.

Mr Cordiano: And that took how long, from the time you recommended it to the time it was recovered?

Mr Amin: It was recovered by September 1991. As I explained the last time I was here, the process was one of convincing a new board that the money was indeed owed to the Ministry of Health. We went through many, many meetings to present to the board the ministry's viewpoint. Eventually, the board accepted the ministry's viewpoint and moneys were returned to the ministry fairly promptly upon accepting our viewpoint.

Mr Cordiano: Those are all the questions I have.

The Vice-Chair: Good timing, Mr Cordiano. Your time was just about to expire.

Mr David Tilson (Dufferin-Peel): I'd like to pursue the issue you first raised. It sounded like some lawyer has written you a statement to read to the committee, and that's fine. But my observation, when I read the various audit reports—I see, for example, the former executive director of Houselink having total control of moneys, using moneys from operating general funds to pay for unapproved overseas travel, furniture, dinners, liquor, parking tickets and personal purchases. We also see in your report that part of the money has been paid back, that some of the money has been paid back, but we don't know whether all the money has been paid back. I understand what you've said in law. I understand that.

But surely when an auditor gets a smell of wrongdoing—and it's not for you to determine whether some-

one has done some wrongdoing. Your job, presumably, is to determine whether there has been waste, whether there has been improper procedures or those sorts of things, non-criminal activity, making the thing run a little smoother. But if there's a smell of wrongdoing, even a scintilla of smell of wrongdoing, surely you have an obligation to go not to the ministry but to the police.

Mr Glendenning: I would agree with your statement. There is an obligation on the part of an auditor, if they determine that there is unlawful activity, to ensure that appropriate action is taken by law enforcement authorities. I think the circumstance of this case was that that degree wasn't found.

Mr Tilson: I ask this to both auditors. Did you or any of your staff have any suspicions of wrong? I read these things and I look at unauthorized moneys being taken; so far, we've been told that the former executive director took moneys and hasn't paid it all back. Unless something's happened since, this money's still out there, she still has it, unless the Ministry of Housing or the Ministry of Health come forward and say it has been paid back. But all the information I have says it's not been paid back. That, to me, says that public funds have been taken. I don't know, maybe it's appropriate, but surely it's not for you to determine that. Surely that's a matter for the police to look at.

Mr Glendenning: I would point to the previous statements that were made about a joint meeting between Health and Housing where that issue was discussed. I believe, if my understanding is correct—I wasn't there—the conclusion was that there was not sufficient data to support referring this for a law enforcement kind of analysis.

0950

Mr Tilson: Who made that decision?

Mr Glendenning: My understanding is that it was a meeting between the auditors of Health and Housing.

Mr Tilson: Auditors made that decision, or was it someone in the ministries of Health or Housing, or was it politicians who made that decision?

Mr Glendenning: First of all, I don't think there was any involvement at the political level. I'm not sure whether it was referred to legal counsel or not. I can't answer that. I wasn't there.

Mr Tilson: Someone made that decision, but you don't know who made it.

Mr Amin: Perhaps I can answer that, sir. I was at the meeting. With respect to the issue of suspicion, suspicion is no proof, and we cannot move on suspicion to enter into the discussion of fraud. It is on that basis that we had to reject whatever possible suspicion there was. Suspicion is no proof, sir.

Mr Tilson: I don't understand that, quite frankly. If you say that in your opinion as an accountant or as an auditor you don't think there's any possibility of any criminal wrongdoing, I understand that. All I know is that when I read these reports and what the media have told and what they have found, that moneys have been taken and not paid back, that leads me to say that something illegal has happened. I don't know. It's not for me to

determine that. That's a police matter. It may well be that there was no illegal activity. You can't say that; I can't say that. You may suspect it in your role as an auditor, but you can't say that. But if you suspect it, surely you do have that obligation.

Mr Amin: Well, sir, I tell you, the moneys you're referring to were expended by the housing corporation without approval. That's the bottom line. The moneys you refer to did not have any element of fraudulent action; neither did we find that there was any intent to deceive in any way, shape or form.

Further, sir, with respect to my earlier answer, I must say that before we go to the police, we must have almost incontrovertible proof that there is fraud out there. We must also accept that if we are going to go to the police with suspicion and suspicion only, they'll throw us out the door in 10 seconds flat. It's not something that we believe we should take to the police when the evidence before us does not at all point to the issue of fraud. We must only take to the police, who are also paid by the public, that which we feel has more than a reasonable chance to succeed in a court of law. We have done it in the past in the Ministry of Health, sir.

Mr Tilson: I hear what you say. I don't understand it, but I hear what you've said.

I'd like to move to another area. Mr Glendenning, you said that half the audit reports you have made did not have operating agreements. I would like to know what that means in numbers.

Mr Glendenning: It was indicated in the report as a finding that there was no operating agreement, and that constituted eight reports.

Mr Tilson: And this is up to what date?

Mr Glendenning: This would be up to 1993. I'm not precisely sure of the month.

Mr Tilson: And since that time?

Mr Glendenning: Since that time, I haven't examined those particular reports, so I can't answer that.

Mr Tilson: And the same applies to the Ministry of Health? My question is the issue of operating agreements with respect to the audits that were done in terms of the Ministry of Health. I suppose you would do much fewer. You wouldn't do as many reports, obviously.

Mr Amin: We do a fair number of audits in the mental health area.

Mr Tilson: I didn't mean that. With respect to housing, obviously, because of the nature—

Mr Amin: No, we are not a housing ministry, sir. We don't have any housing programs.

Mr Tilson: I'm quite aware of who you are, but you didn't do an audit in this area. I have no idea what reports you've done with respect to housing.

Mr Amin: We have done a few audits with respect to housing programs that we and the Ministry of Housing are associated with.

Mr Tilson: And of those, what is the percentage of operating agreements that have not been made available?

Mr Amin: We have what is called a memorandum of

understanding. I do not have the number with respect to that, but I believe the program people may be able to answer that. My understanding is that memoranda of understanding is a normal way of operating with our agencies.

Mr Tilson: And all of these audit reports have been made available to the Provincial Auditor?

Mr Amin: Yes, the Provincial Auditor has complete and unrestricted access to our reports.

Mr Tilson: You've said that before, but does he have the reports?

Mr Amin: I don't think he has the reports.

Mr Tilson: He's going to be asking for them.

Mr Amin: If he hasn't got the reports, if he wishes to get them, he certainly can. Mr Teixeira is here and he can let you know how we operate.

Mr Tilson: I'd like to get into the issue—and this is a question to both of you—of the extent of your audits. I don't know the terms of reference of your audits versus the terms of reference that the Provincial Auditor may make of these types of organizations. Are you able to compare them?

Mr Amin: With the Provincial Auditor's? Sometimes a comparison is not just there. Sometimes the Provincial Auditor will take the total program, all of the big programs. We may take a part of the program.

Mr Tilson: Housing is the same, Mr Glendenning?

Mr Glendenning: Yes. When we are auditing non-profits—and I think this was discussed in previous deliberations of this committee—we do have an audit program for non-profits against which we conduct our audits, so that is somewhat structured. But if you're asking if they can be compared to those of the Provincial Auditor, yes, there are common elements between audits, but they wouldn't necessarily be undertaking the same audit program we would. I would like to think ours are probably more in depth.

Mr Tilson: That's exactly what I'm getting at. Is the Provincial Auditor precluded from making the types of audits that you make, because of the Audit Act?

Mr Glendenning: No, not by any means. I wouldn't say that there's any restriction in that matter at all.

Mr Singh: When the Provincial Auditor did the audit of the non-profit program, it is my understanding that they did go out to look at a few agencies. However, what they looked at was very specific. They didn't look at all the things we would look at in a particular agency like Houselink, because they were looking at the broad program in general. That's the difference.

The other thing was that we were planning to do an audit of the non-profit program, but when we were going to do it the Provincial Auditor came in that year, so we didn't do it.

Mr Tilson: Have there been any audits of Houselink since you've done these?

Mr Singh: No.

Mr Tilson: There have been none? Can you tell me why?

Mr Singh: Simply because, as I mentioned earlier, there are—and I don't have the exact figure—over 1,000 non-profit agencies in the province. The audit branch has a very limited staff and we want to get where the biggest bang for the buck is.

Mr Tilson: I understand. Very serious allegations have been made with respect to Houselink. Are you able to provide the committee with the written response from the ministry, both of you? Are you able to make those written responses available?

Mr Amin: Can I make a clarification with respect to the Provincial Auditor's objectives and ours? Many times the objectives are not comparable, because the Provincial Auditor may have a broader scope to the performance of his work.

With respect to the question of why no other Houselink audit was done, I should tell you that there is good reason why, in the Ministry of Health, it hasn't been done, and it's because of the program. Our ministry program and the new Houselink board and new Houselink executive director have been moving progressively forward with respect to making Houselink a much tighter organization, making the board work much more efficiently and effectively for the benefit of the corporation.
1000

Mr Tilson: How do you know that if there haven't been any further audits?

Mr Amin: We had it in the form of follow-up audits with respect to that, in which the auditor and Mr Ibrahim visited the facility and looked at some of the improvements.

Mr Tilson: Can you provide us with copies of those informal audit reports?

Mr Amin: These were what we call onsite inspections, sir. They are not audits.

Mr Tilson: Can you provide us with any written reports with respect to that?

Mr Amin: The ministry can provide the committee with a status report with respect to Houselink, and that will have to be done by the program, because the program is responsible for the implementation and recommendation.

Mr Tilson: The allegations with respect to Houselink, specifically with respect to the executive director at the time, were that substantial moneys went away for different reasons, which I've stated, and that some has been repaid. We don't know how much has been repaid. Can you tell us how much has been repaid?

Mr Amin: With respect to the surplus, \$1,735,775 was repaid.

Mr Tilson: How much hasn't been repaid?

Mr Amin: Everything that was recovered by the ministry has been recovered, for the audit period.

Mr Tilson: So all moneys for the audit period have been repaid.

Mr Amin: Have been repaid.

Mr Tilson: Have you got any documentation or correspondence dealing with that subject?

Mr Amin: I feel certain that the ministry has that, yes, sir.

Mr Tilson: Can you make that available to us?

Mr Amin: I'd like to think that's possible, yes.

The Vice-Chair: Mr Amin, are you sure you're not a lawyer? That was a very good answer. Or a politician—one of the two.

Mr Amin: Madam Chair, thank you very much. When I leave the public service, I'll go to law school, right?

Mr Tilson: You're all doing a very wonderful job, but the question is, are you going to make this—

The Vice-Chair: Mr Tilson, I'm sorry, the time has expired.

Mr Tilson: You did interrupt me, Madam Chair, so if I can just finish on one question: Will you make all that information available to the committee, both of you?

Mr Amin: Yes, sir, I think the program has that responsibility, and that question should be better directed to program.

The Vice-Chair: We'll now move to the government caucus. We have Mr Marchese and Mr Perruzza.

Mr Rosario Marchese (Fort York): Can you tell me whether we've had any operating agreements with any of the agencies that we've had in the housing field in 1983 or 1984 or 1985 or 1986 or 1987 or 1988? Did we have program agreements with any of the agencies that are connected to us?

Mr Glendenning: It's my understanding that there are some operating agreements in effect for the Ministry of Housing programs, though I think we would have to get back to you on that kind of detail if you want more than that.

Mr Marchese: I just wanted to establish some historical perspective, because I don't want us to be stuck in one particular time frame: 1992 and on, or 1991 and on. That is to say that if we have problems in one area, it's because there are historical connections to it, and part of my concern around it is, how are we dealing with it in a general way to solve some of those particular problems? If you can get information and pass it on, that would be fine. I'm interested in knowing whether we've had operating agreements with any one of the agencies since the beginning, and if we had some operating agreements with some, why it is that we didn't have operating agreements with others. How do we establish those inconsistencies and how do we deal with them?

Mr Glendenning: If I could deal with that question just generally, we do have several different kinds of programs over time, the earliest ones being federal-provincial, which would have documentation behind them, moving on into the overall programs that were fully provincially funded. You do have different types of programs, and the conditions of those programs would be different from program to program, and you would also have different kinds of operating agreements, some of which are there, some of which are not. You've got this whole spectrum.

Mr Marchese: I understand that. I understand that all

of you have ruled out criminal activity, based on the definition that you provided about what constitutes criminal activity. How would you any one of you qualify or characterize what has happened with these two particular agencies we're dealing with in terms of how they manage their financial affairs? How would you characterize them?

Mr Singh: If I can address that, I think I mentioned that in my remarks last Thursday. I would characterize these two agencies as being very well intentioned: They are housing individuals who are mentally challenged. However, I feel they lack the necessary expertise in accounting and in procurement and probably in certain aspects of management.

I want to go back a little bit to the question of no evidence. As I said last time, we took it upon ourselves, because as professionals we exercise due care, we followed up on a lot of the allegations.

I'll give you an example of one. There was an allegation that was made that various contractors were doing personal work for people at Houselink and billing and invoicing Houselink for it. We examined these invoices. We found that was the case, but we found also that Houselink did not pay for the work. So that allegation was totally unfounded.

This is an example of what I mean when we said we could not find any evidence of wrongdoing, the allegation being that Houselink paid for the work of people who own their own houses. What we found was, yes, the contractors who were employed did work for individuals who worked at Houselink, but Houselink did not pay for it.

Mr Marchese: Do you have a response to that as well?

Mr Amin: Yes. How would I characterize the agency management? I would say they were lacking in proper accounting practices in reporting. They had weak administrative practices. The governance issue with respect to how the board operated was less than satisfactory. I would say those were the contributing factors to the problems the agency had.

If I may, sir, I do have to add a piece of clarification. Last time this side of the committee asked a question with respect to the way in which auditors conduct themselves. I just want to say very clearly that the same auditing standards are applied to all audits consistently, including Houselink, and the extent of the tests and examinations is determined by the circumstances of the individual audits. It came from an individual on this side, so I do wish to put that on the record.

Mr Marchese: That's fine. We talked about \$1.7 million more or less of items that were identified as issues of concern. Could you as quickly as possible identify what they were, what you found to be irregular about them, and could you identify those areas where allegations have been made about misappropriation of funds and how big those items are as cursorily as you can? I think we haven't put that on the record, although it's available in the audits that we have received.

Mr Amin: If I remember, I think with respect to the

amounts recoverable by the Ministry of Health, we had identified \$2.176 million and we recovered \$1,735,775 after adjustment by the program area. On the other issue, the amount identified was \$248,349, and these deal with a variety of issues like sabbatical leave, merit pay, unsubstantiated travel etc. Those are the two pieces that we've identified.

With respect to the \$248,000-plus, that information was passed on to the program branch, whose responsibility it was to make the decision whether to recover or not to recover or to approve retroactively those amounts. I think the program person will give you the backup and the detail with respect to their actions etc. Does that answer you, sir?

Mr Marchese: Yes, in part. I was going to ask the deputy the same question in terms of what they've done with respect to the itemized issues, so we'll get a good sense of what evidence there is in terms of what steps have been taken by the ministry to deal with this. That's the question Mr Cordiano raised that I am interested in, because part of the problem is to identify what the problems are and then to be sure that we have in place a system that deals with it from now on in a very general way.

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Mr Amin: If I may, you use the word "misappropriation." I would choose to say that "misappropriation" was not the word we used.

Mr Marchese: Well, that's fine. That's why I asked you earlier on how you would characterize what has happened in terms of their ability to administer well, or not so well, those dollars. I understand that when you use the word "misappropriation," it's almost an allegation as well that one makes.

It is in this regard that in the subcommittee I was also going to recommend that we invite Ms Lea Caragata, because she has written a letter to us asking us to listen to her. I would be very interested personally in listening to what she has to say, and Mr Tilson, I suspect, would be interested because he made reference to a number of allegations with respect to some of that activity. I think, for the record, it would be important for us to invite her to speak to any of the allegations that have been made. That is all I have for now, Madam Chair.

The Vice-Chair: Thank you, Mr Marchese. Mr Perruzza, you have about six minutes.

Mr Anthony Perruzza (Downsview): Really very quickly, last week I asked for some information with respect to the proposals and the budgets and some of the correspondence that goes back and forth from groups and community groups to the ministry. I'm wondering if it's here. That's it? Great. I suspect that once I have an opportunity to go through that, I'll have some more questions dealing with that.

My question is to both of you. Just to get it on the record, I'd like to know, who are your bosses? Who do you report to directly?

Mr Glendenning: In the Ministry of Housing, for administrative purposes, the audit services branch reports to the assistant deputy minister of corporate services. For

the purposes of our audits, our audit reports are directed directly to the deputy minister.

Mr Perruzza: So when you do your audit, you do your report, you have a boss directly in the ministry, and that's the deputy minister, who reviews your material or your reports. At that point I would presume that you would have a meeting with the deputy and go through that material and have a formal briefing with the deputy in that regard. Yes?

Mr Glendenning: Depending on the complexity of the report or the results. Obviously, if it was fairly routine, there wouldn't be that necessity. If it was a significant report, yes, that would take place.

Mr Perruzza: Okay. Do you have independent authority? I guess what I'm trying to get at is, when you've done your review, just picking up on Mr Tilson's question, if you suspect that there is some wrongdoing, without meeting with or consulting with your deputy, could you at that point call the police on your own? And would you do that on your own?

Mr Glendenning: I certainly wouldn't feel restricted in that way. In fact, if you go into independence, we have an absolutely unfettered right to examine records within the ministry. There are no restrictions on that as far as our right of access to staff, to records, what have you, is concerned. That's part of our mandate, so I don't see any particular restriction.

As far as the question you're asking, do we have a right to direct things to police authorities, I would take that, quite frankly, as a personal right. As a citizen and as a civil servant, it's a responsibility.

Mr Perruzza: So what you're saying is that if you suspected there was some wrongdoing, no one would be able to hold you back, or you wouldn't communicate that intention to your boss, who is, I presume, the deputy minister. Or do you have sort of an in-line boss in the ministry other than the deputy?

Mr Glendenning: Yes. As I said, for administrative purposes, we report to the assistant deputy minister of corporate services. But the reports are directed directly to the deputy, and there is that right of access and communication. I feel there is as much as you can say in a hierarchical organization. There is unfettered audit right, as far as I'm concerned.

Mr Perruzza: What happened in this particular case when you did your audit, you did your report, you wrote your report? What did you do next?

Mr Glendenning: I'm sorry, I can't answer to this particular audit, because I wasn't audit director at the time.

Mr Singh: If I can address that, in the case of Houselink, at that time in our ministry there was a former deputy minister and we had an audit committee. I recall that the findings of Houselink were discussed with the audit committee, which was chaired by the deputy minister.

Mr Perruzza: Who was on your audit committee?

Mr Singh: At that time the audit committee was made up of the deputy minister and the assistant deputy ministers of the ministry plus one or two other directors,

like the director of finance and so on.

Mr Perruzza: Do they have names, for the record?

Mr Singh: Yes, the deputy was Mr Glenn Thompson. You're really jogging my memory now. The assistant deputy minister of corporate resources was Mr Arnie Temple, the assistant deputy minister of the program area was Mr Tim Casey and the assistant deputy minister of the policy division was Ms Anne Beaumont.

Mr Perruzza: When did that take place?

Mr Singh: That took place on December 18, 1990.

The Vice-Chair: Thank you, Mr Perruzza. I'm sorry, but your time has expired.

Mr Amin: May I please have a chance to answer a question?

The Vice-Chair: Certainly.

Mr Amin: With respect to the information you requested, the program personnel who will join you here shortly will answer that question, sir, because they have responsibility for that.

With respect to the question of reporting in the Ministry of Health, the director of the audit branch reports to the deputy minister for all auditing activity. That director reports to an assistant deputy minister for administration only. That assistant deputy minister has no responsibility for audit practice. That's what brings the accountability to the deputy minister on-line.

With respect to the independent authority, "Can you call the police on your own?"—those were your words. I think—I'd like to think it's a little bit more complex than saying, "Can you call the police on your own?" We must recognize the way in which branches are organized and which accountability frameworks are set up.

A program that gets a legislative authority to spend money has total responsibility for that program. If, in the course of our work, we find that there is compelling evidence that fraud or near-fraud has been committed, it is our duty to seek appropriate legal counsel and to seek appropriate advice and talk with the program area.

I'd like to think that when the police are called in, the police are called in by that program area whose responsibility it is to defend those dollars approved by the House for spending by that program area. We are still advisory to that program area, and I'd like to think that's how we'd like to keep it.

Mr Perruzza: Did you seek out legal counsel?

Mr Amin: In this case, no, sir. We had some discussion with legal counsel on some of the issues.

The Vice-Chair: I'd like to give the auditor an opportunity to ask any questions or make comments.

Mr Erik Peters: I just wanted to follow up on the last point. The normal procedure, and I think you would agree, if an auditor suspects fraud, is that there would be an obligation to advise management, because management then has the responsibility to make a number of decisions. Hopefully, and the standard should be, that would be based on legal advice as to what to do under the circumstances, whether further investigation is warranted by internal resources, whether the police are called in

For example, to give you just a small example, an auditor would normally not even be expected to know which police force to call in. Because the ministry's involved, is this an OPP issue, or because it happened in Toronto, is it the Metro police that should be called in? Those are all legal questions that should be resolved at that particular point.

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Management has really the responsibility to take action under the circumstances. If police are called in, normally it then ends up to be a shared responsibility, or based on police advice, whether the police actually want to take over the investigation or whether they ask the auditors to do further investigation and then they review the audit files and proceed further.

I think this is the standard, and I trust from your second answer that you would have followed the standard of advising management to take the action, because it's not audit responsibility to take this kind of action. Or is it in your ministry? That is my first question.

Mr Amin: I think you confirm what I said earlier on, Mr Peters. We have done this before in the Ministry of Health and it's always done exactly the way you pointed it out: legal advice. Maybe we get forensic. There are times when we get a forensic auditor to come and join us. But the bottom line is, senior management makes the call when to go to the police.

Mr Peters: Fair enough.

Mr Glendenning: If I could just address the same thing from the standpoint of the Ministry of Housing, I would agree entirely with what you're saying. I don't want my previous comments to be misconstrued. I thought perhaps the member of the committee was asking me if I felt in any way constrained from taking appropriate action, and the action you are suggesting is entirely appropriate.

Mr Peters: Okay. Thank you very much.

I have a second question. There's also, unfortunately, a question of ethics by the auditors which is raised in one of your reports. I'm referring specifically to page 7 of your 1991 report, in which you say that:

"The audit fee was inflated by the public accountant at the request of the executive director, with the agreement to return the inflated amount in the form of donation. This would enable Houselink to utilize the donation funds for unbudgeted expenditures."

This paragraph raises ethics questions; it raises questions about the quality of the external audit that was conducted; the independence of that auditor. It raises a whole raft of questions about the code of conduct of auditors, and I wonder if you could explain to us what action was taken on this particular step.

Mr Amin: The matter was reported to the Houselink board, sir, and the Houselink board, in our view, has the authority to deal with their external auditors.

Mr Peters: This is a fairly strong statement, that in fact the audit fee was inflated in order to permit the organization to have unbudgeted expenditures. That would go totally against the code of conduct of the external auditor.

Mr Amin: Like I said, sir, that matter was referred to the Houselink board, which has the responsibility to recruit their external auditors. By the way, I should say that that auditing firm no longer does the audit.

Mr Peters: That answers my follow-up question on that.

The other part that concerns us very gravely in this is, from the information stream that goes to the ministries from Houselink and from the Supportive Housing group, would that information stream be good enough for management that is in charge of that program to detect the sort of things you found in your audit and, if it is not, has the information stream now been improved by management so that these sorts of things can be detected on a routine basis as they come forward to management, or does it require further audit?

Mr Amin: I think you're speaking to the issue of improvements, changes to the system?

Mr Peters: To their financial reporting.

Let me just make a supplementary comment here for a moment. We have been given by the researcher annual reports from Houselink. They are totally void of any financial information. They are a social reporting instrument. It talks about how many free tickets for ball games they got etc, but there is no management information as such in these reports.

Is there an information stream that provides to the program managers information from which they could assess whether or not these operations are managed and financially accounted for properly?

Mr Glendenning: If I may address that, there is, as has been alluded to, constant improvement in that management stream, and I think the program people will address that in terms of the annual reports and financial reports that are required of the regional offices as opposed to the annual report of the agency itself. There is a constant stream of information going to our regional offices, but it's probably best addressed by our program people.

Mr Singh: If I can make a comment too, our ministry's finance branch has been working with the Institute of Chartered Accountants of Ontario to come up with a reporting package so that there'll be better information that will be provided to the program people rather than just an audited test statement.

Mr Peters: Thank you, Chair.

The Vice-Chair: Thank you, Auditor. Do other members of the committee have questions they would like to continue the discussion?

Mr Tilson, you've indicated you have a question. Why don't we just continue ad hoc until the questions are done.

Mr Marchese: Can we put a time limit on it, Madam Chair?

Mr Cordiano: I thought we agreed we would have the first hour of these—

Mr Marchese: That's what we'd agreed in our subcommittee, you're right, but if he has an urgent question he wants to ask of them we can do that. But I

would put a time limit on it.

Mr Cordiano: I'd like to move on to the program people after that.

The Vice-Chair: Yes, Mr Cordiano, you had asked me at the very beginning how I intended to conduct this and I said we would go in rotation. However, if members did have questions, I felt they should be resolved before we continued.

Mr Tilson: The question I have is with respect to the report that indicates that the executive director at the time had total control of the funds. My question is to anyone, probably to everyone; my question is to everyone. Can you tell me, of all of the audits you've done with respect to non-profit housing during the period that we've been discussing to the present time, have executive directors or individuals, treasurers, whoever, had in the review of your audits sole control of the funds of either individual corporations or service providers such as Houselink?

Mr Glendenning: I think it would be fair to say we don't note that as a very consistent trend in the audit reports, so there are variations on the theme. We might find that in some cases a party other than the executive director, for example, a property management company, has probably been exercising far too much control over expenditures.

There are different situations. Different non-profits have shown up different kinds of control problems. The only consistent theme I would say is coming out of the non-profits is a somewhat unsophisticated type of management where probably adequate controls may be lacking but not of a magnitude that would cause the collapse of the corporation.

Mr Tilson: Obviously I've got Mr Marchese and Mr Cordiano upset, and I don't mean to do that, but it's a concern that we're talking about systems.

To be a little bit more specific, and again my question is to everyone, can you tell me, of all of the audit reports that you have done during all the period of time I've spoken of to date, specifically the numbers of organizations, and I'm generalizing, where this lack of control exists? It could be executive directors, it could be consultants, it could be treasurers of corporations, it could be anyone, but where an individual has complete control and the only way anybody's going to find out about it is if either of you, particularly the Housing people, happen to pop in and look at the records.

Mr Singh: I do recall, just to follow up on what Andy said, that what you're really talking about is, in audit jargon, lack of segregation of duties. I believe there was one audit report that we released in which a book-keeper had access to writing cheques and posting the invoices and so on to the books. There was one other case, but this is really a case of lack of segregation of duties.

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Mr Tilson: When did that take place?

Mr Singh: I don't have the details. I do recall that there was a fine. It's not Houselink.

Mr Tilson: I know that, but was it recent or was it within the last four or five years?

Mr Singh: Yes.

Mr Tilson: Can you give us the name of the corporation?

Mr Singh: I can't recall it, but I can look it up.

Mr Tilson: Will you tell us in due course?

Mr Singh: Yes.

Mr Tilson: I have other questions, Madam Chair, but if you wish to get on to other areas, I'm agreeable.

The Vice-Chair: My feeling on the issue is that we're here to get at the facts, and if members have crucial questions that have not been asked, then members should be given an opportunity, I think within reason, as long as the questions are very brief and not unduly extensive.

Mr Tilson: I have one other question. I think it was Mr Glendenning last week indicated and I'd like him to elaborate as to how he happened to choose Houselink to do an audit.

Mr Glendenning: I think that's probably better addressed by Mr Singh, who was the director at the time.

Mr Gilles Bisson (Cochrane South): You asked this question last week.

Mr Glendenning: It came originally out of an audit performed by the Ministry of Health and it alerted the Ministry of Housing as to problems, and that directed us directly to Houselink. Generally, though, in terms of how we select non-profit audits, is that the nature of your question?

Mr Tilson: Yes. It starts off with Houselink, and you're telling me the Ministry of Housing for some reason decided to do an audit, and that's how you got involved, but that would be my next question. I'd like perhaps before you get into that to specifically go over to Housing and ask you, sir—

Mr Amin: Health.

Mr Tilson: I keep calling you Housing and you're quite right. I apologize.

Mr Amin: I'd like to have a house. That'd be good.

Mr Tilson: I'm sure you would. Can you tell me specifically who instructed you to do an audit for Houselink?

Mr Amin: The circumstances leading to the audit of Houselink were that the program branch sent us 12 audits and Houselink was on that audit list. We chose to do a Houselink audit on the basis of that and in consultation with the program area.

Mr Tilson: Could you continue on as to how you, Mr Glendenning, decide to do audits?

Mr Glendenning: We follow a similar kind of process to that identified by Health. On an annual basis, we would go to our regional offices and ask them for, let's say, candidates for audit. They would identify to us, perhaps right across the province, about 30.

We would also of course ask them to give reasons why they thought the entity should be audited. We would assess those against audit selection criteria and, as I said last week, the audit criteria include such things as the relative size or the complexity of the portfolio, the currency of their submissions to the ministry emphasizing what the auditor said earlier, how well we have the

information on the operations, suspected impropriety with respect to operating or capital costs, any significant non-compliance with ministry expectations, potential loss due to misappropriation, any third-party complaints, any history of unresolved conflict with the regional office.

Those are the kind of criteria we would assess against the submissions made by the regional office, who would identify each non-profit's particular situation.

Mr Tilson: With respect to Houselink and the Supportive Housing Coalition, and my question again is to everyone, what role did the minister or her staff have with any of these investigations, if any, to your knowledge?

Mr Singh: To the best of my knowledge, absolutely nothing.

Mr Amin: Mr Tilson, I'd like to add a piece to my earlier question with respect to how Houselink came to be an audit. It was on the list, but a telephone call to the ministry program area pushed it up on a priority basis. Someone called in and told us—

Mr Tilson: Told you or told the—

Mr Amin: Told the program area.

Mr Tilson: Told the program director.

Mr Amin: They advised us to move that forward. With respect to your second question, there was absolutely no involvement of the minister or the minister's staff in this audit.

The Vice-Chair: Thank you, Mr Tilson. I believe Mr Cordiano has one question and then we'll proceed with the next phase.

Mr Cordiano: Very quickly, I want to go back to my figure of \$242,000, which was not suggested in there. I was referring to the amounts that were spent in an unapproved fashion, and then after the fact, after they were expended, program management made approvals. Obviously, with respect to that \$242,000, there was no authorization for those expenditures and you recommended that those funds be recovered.

Mr Amin: Mr Cordiano, with respect, my recommendation reads as follows: "We recommend that community mental health branch review the above situations (which were not included in our calculation of amount recoverable from Houselink) and take appropriate action."

Mr Cordiano: Could you refer to what document that is?

Mr Amin: My audit report to Deputy Minister Decter.

Mr Cordiano: I'm just trying to find that.

Mr Amin: Page 7.

Mr Cordiano: "We recommend that community health...take appropriate action." I suppose that the only appropriate action in your mind, as a recommendation, would be to approve those expenditures after the fact.

Mr Amin: No, sir, that was not in my mind. I had no recommendation, I had no action in my mind at the time. When you present information of this nature to the program management, the program management has got to review the information with respect to its policy, the intent of its policy—

Mr Cordiano: What was their policy?

Mr Amin: —history and with respect to how the circumstances fit the situation and what opportunities there were, other situations, to improve the situations in the program area. Therefore, I did not have a specific recommendation in my mind.

Mr Cordiano: I appreciate that, but my difficulty is, if these expenditures were made, and you've identified them as unauthorized expenditures, and management comes to take action after the fact and says, "Now that they've been spent, we'll authorize these expenditures," does that not look like ad hocery rather than ascribing to a set of guidelines that everyone understands and can follow? I mean, there is that element. Would you not be concerned as an auditor that practices being followed are very ad hoc?

Mr Amin: I was concerned. It is my concern that led me to advise management of the circumstances. It is management's responsibility to dispose of those situations as I presented them to management.

Mr Cordiano: Fair enough. I will ask management what their views were on that.

Mr Amin: Yes. Thank you very much.

Mr Cordiano: I wanted to establish and be clear what your intentions were around those recommendations. Thank you.

The Vice-Chair: I would like to thank the witnesses for their attendance before us today. I am sure that if members have additional questions as we proceed with our hearings, you would be pleased to address them if they are submitted to you in writing.

Mr Amin: Thank you.

The Vice-Chair: We will now call upon the Deputy Minister of Housing, Mr Daniel Burns, and the assistant Deputy Minister of Health, Jessica Hill, and ask you to come forward.

Mr Marchese: Can I just recommend that everyone speak up as much as they can? This room is terrible for acoustics, so most of us are struggling to hear every word. Please do your best to articulate loudly.

1040

The Vice-Chair: Thank you for that very constructive suggestion. I would like the witnesses to begin by identifying themselves for the purposes of Hansard.

Mr Daniel Burns: My name is Daniel Burns and I'm presently the deputy minister in the Ministry of Housing. With me at the front is Trevor Studden, who is the manager of the central region office in our field operations division. It is his operational responsibility to deal with the two agencies we are discussing.

With us are Toni Farley and Liz Williams, who are both managers in the central region office. Our audit staff, of course, are remaining to ensure that further materials required from them will be available. Finally, although she's not right here at this minute, my own executive assistant, Patti Redmond, will provide materials if they are required in the discussions.

The Vice-Chair: Ms Hill, would you like to introduce your staff?

Ms Jessica Hill: Yes, thank you. I'm Jessica Hill, acting assistant deputy minister for the mental health programs and services group in the Ministry of Health. With me are Dennis Helm, acting director for central region in the mental health programs and services group, and Jane Cleve, who is the program consultant for Houselink.

The Vice-Chair: Normally, we would ask for some brief opening statements. I notice, Ms Hill, that you have submitted for members a fairly extensive brief. I wonder if, instead of reading the entire brief, because I think it would take an extensive period of time, you would be willing to highlight the most relevant or most important sections of that.

Ms Hill: Certainly. The brief actually covers general comments, introductory remarks, but also accountability mechanisms that we've put in place in the area as well as specific follow-up steps that we took with Houselink and the Supportive Housing Coalition, so it is very responsive to both the previous day's hearings as well as today.

The Vice-Chair: Am I to assume, Mr Burns, you would have some opening comments as well?

Mr Burns: Yes, we would like the opportunity to make some brief comments. I have some which are in the nature of setting some historical context around the time that we're considering here, and Mr Studden has some material that relates to the actual chronology of our relationship in the Ministry of Housing with the two organizations. At the appropriate time, I would like to present that material.

The Vice-Chair: Why don't you begin, then Mr Studden can give his information and then we'll go on to Ms Hill.

Mr Burns: I'd like to start by spending just a couple of minutes on the historical policy context that led to the development of agencies like the two that we are considering. I should say parenthetically that I'm going to speak in I hope a brief and pointed form. I do have a short paper which covers the same terrain which, if the committee would find helpful, we can make available. And there it is.

For a very long time, individuals in the province who needed support where they lived were largely housed in institutional settings or in family settings. That's one side. On the other side, for a very long time—and I think we talked about this last year when we discussed the development of the non-profit program itself—social housing was focused on two groups in society: the elderly and families with dependent children. Up until the 1970s, those two social policy approaches, if I can put it that way, governed the terrain that these agencies now operate in. So what changed?

Beginning in the 1960s and accelerating in the 1970s, we had a change in the way we approached trying to support individuals who need help to live in an everyday way in society. We concluded that it was not appropriate to house the number of people in institutional settings that we had then, and families were becoming less and less able to support large numbers of dependent individuals themselves. The option we turned to nationally, not

just in Ontario, was to develop, in a community setting, community agencies and organizations that would have the capacity to house and support individuals and sometimes families who needed that extra support in a housing setting, but in a community setting, not an institutional one.

On the housing side, as I just said, social housing began in this country with a focus on the elderly and on families with dependent children. That was the governing policy framework until, I think, 1978. At that point, we began to see a series of changes that extended access to various other groups in society, and over the course of the 1980s we eventually extended the right of application to access in housing and social housing to every citizen of the province.

Members of the committee may remember from when we were talking about the non-profit program last time that the federal government was responsible, essentially, for the design and delivery of all the social housing programs in Canada until 1986. In 1986 they withdrew from program delivery, and in a set of provincial agreements the provinces entered that terrain. In Ontario in 1987 and 1988, in addition to taking on the responsibility for delivering the federal-provincial joint program, the province initiated some new social housing initiatives. One of those was targeted at organizations in the community that wanted to house and support individuals who otherwise would have been in an institutional setting. It was called P-3000. When Homes Now came along later, one of the objectives it had was again to provide more funding support to those sorts of organizations.

By the time we got to the late 1980s, the time we're considering, we had the convergence of a number of changes in social policy and quite dramatic changes in funding arrangements which resulted in the rapid growth of a large number of community institutions whose object was to provide both housing and support in a community setting for people who in another time and place would have been housed and supported in an institutional setting. As I said to you, in 1978 we would not have been housing these people in a social housing policy framework, but today, when we're providing funding support to over 1,000 community housing organizations, about a third of those provide at least some of their units to individuals who also need support. That third of organizations has provided roughly 10% of our total program in the non-profit and cooperative world in that format.

So through the 1980s, a dramatic change in social policy approaches, a dramatic growth in new organizations, and new approaches to supporting individuals in a community setting.

The two organizations whose audits we are considering today and considered last week are both examples of what I was setting out in more general terms.

Houselink itself began as an effort to try to ensure that as people left community mental health facilities in Toronto, particularly the Queen Street facility, they ended up in appropriate housing settings, and when they were there, they had some chance to work with people in their new community setting, essentially a service response.

I'm sure the Ministry of Health will add more to that in its remarks.

Mr Tilson: Madam Chair, I wonder if I could interject at this point. I will say, Mr Burns, just to assist you, that legislative research has provided us with some detail as to what you're speaking of and we have all received—

Mr Bisson: I would rather he did this. I would like to hear from him.

Mr Cordiano: You should read this.

Mr Burns: I'm almost done, Madam Chair.

Interjections.

The Vice-Chair: Mr Tilson has the floor.

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Mr Cordiano: We do have a number of pressing questions we'd like to ask.

Mr Burns: And I'm more than happy to answer them.

Mr Tilson: It's simply to assist Mr Burns, in that most of us have read the material. Most of us are aware of what you're saying, just to assist you. But I appreciate you're trying to—

Mr Burns: I have only three more remarks I want to make by way of my general introduction.

Houselink began to participate in housing programs in the mid-1980s. It developed to the point where it now operates a portfolio which Mr Studden will touch on in a minute.

The Supportive Housing Coalition began in 1982 out of similar concerns, as a coalition of community agencies that dealt with vulnerable individuals. It began as well with a service focus, but again in the mid-1980s turned to providing housing in combination with its service support.

I have one last context remark I wish to make, and it's this: As a nation and as a province, we had, I think, a broad policy consensus that we wanted to move away from housing vulnerable individuals in large institutional settings. We believed it was both more appropriate for the individuals in terms of their own lives and much more cost-effective, wherever it was possible, to have those people live in a community context and support them there.

We did not choose, in this province or any other province in this country, to approach that problem with one model in mind. So what you find in our situation as the Ministry of Housing is that we provide support in one central program delivery framework to organizations with dozens of different approaches to the objective of supporting people on a community basis. Through the late 1980s it was quite common for us to need to, and in fact by common debt we did, sit down with the Ministry of Health, and not just the community mental health branch but other branches, with the Ministry of Community and Social Services and with the Ministry of Correctional Services to try and make sure that as these new community institutions developed, we sorted out the administrative arrangements. There was no one model at work here, and there were many, many, many times when we needed to spend some focused effort to sort out basic administrative arrangements.

The two examples we're looking at raised those kinds of questions and also illustrate how we tackled solving the problems that were identified in working with this new form of community organization for the kind of social policy reasons that I just alluded to.

That's the end of my remarks. Mr Studden has the history of our relationship with the two organizations. He's also got it in writing, but I think it would be helpful if again we just spent a couple of minutes outlining our specific relationship with each one from an operational point of view.

Mr Trevor Studden: My comments are quite brief, but I think they truly do touch upon some of the questions that were previously asked, so they are probably quite valuable to the committee at this point.

The Ministry of Housing's relationship with Houselink in terms of the development of permanent housing began in 1986 with the allocation of three projects for 91 units. I might mention that an allocation is a commitment from the Ministry of Housing to fund a specified number of units for some 35 years. Since 1986, Houselink has received allocations under various provincial housing programs, until March 1989. At that point in time, Houselink had been allocated 229 units in 17 buildings. As Mr Burns has already mentioned, all of the units are for persons requiring additional care or support.

Prior to July 1990, we had no reason to be concerned about the administration of the units being managed by Houselink. We had received unqualified audited financial statements for each year up to and including March 31, 1989. I should mention that as part of the program we rely quite heavily upon the professional certification given to our yearly request for financial statements.

We had received the statements for March 31, 1987, and March 31, 1988, and had made the annual settlements with Houselink. There was no indication of any difficulties. We also had the March 31, 1989, statements in our office waiting to be reviewed.

I should add that as part of our recognizing Houselink, we had recognized them as an experienced provider, and they did have at that point in time a management plan in place with our ministry.

In July 1990 we learned from Health's auditors of potential problems at Houselink. At that time, we requested our own audit, not to duplicate the work that had been done by Health, but to focus primarily on Houselink's housing operations. In doing so, we wanted to examine Houselink's internal controls and financial management. Internal controls, as previously mentioned by the auditors, are the checks and balances that should exist in any system. Appropriate internal controls are important because they are a means to protect an organization's assets.

By October 1990, preliminary audit findings and recommendations were available. These findings showed that there were some problems identified with Houselink's accounting, procurement and financial reporting practices as a result, as Mr Singh previously mentioned, of weak internal controls. We also learned that cost overruns for the construction of some of the buildings

had been partially financed with operating subsidies.

At this point in time, we proceeded to finalize our review of Houselink's financial statements for 1989 and for 1990, which we had subsequently received. In early December 1990, a meeting took place with key people from Health, Houselink and ourselves, including representatives from the audit branches of both ministries. The purpose of the meeting was to discuss the audit findings, the amount of money to be repaid to Health and Housing and the steps we would all take to correct the problems and recover the surplus subsidies. At that time we had identified \$389,000 of operating surplus as being due to our ministry and had so advised Houselink. We had, however, agreed to accept a partial payment of \$240,000 at that point in time, and the balance was repaid in February 1993.

I would now like to talk about some of the corrective measures taken by Houselink and the ministry to rectify and improve the overall administrative controls.

In February 1991, a new executive director was hired by Houselink. This person has been instrumental in making changes and has worked very closely with our ministry staff to ensure that improvements were made. Houselink acquired assistance to help with the development of internal control procedures and good accounting practices as well as to train staff. Houselink has also installed a new computer system and has strengthened the role of its finance committee. Houselink now has a new audit firm and has repaid the money owing to ourselves and the Ministry of Health and has implemented all of our recommendations.

During this period of time, staff of the Ministry of Housing undertook a number of measures to correct the situation at Houselink and prevent problems in the future. We made a number of recommendations for internal change and monitored their implementation. We also assisted staff at Houselink in improving their financial records and have made sure that Houselink and their audit firm know exactly what is expected with regard to the financial reporting.

It has been reported that there was double funding of Houselink's operations by Health and Housing. So that there would be no room for doubt in the future, Housing staff have negotiated a cost-sharing agreement with the Ministry of Health. This agreement details the funding arrangement between Health and Housing, and a copy has been given to Houselink. Housing staff have also resolved the problems with construction cost overruns on two projects, making sure that Health's operating subsidies were not used for this purpose.

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I'd like to point out that Houselink has concentrated its efforts and activities on rectifying problems as they became known. They chose to focus their efforts on resolving their administrative difficulties; we strongly believe they have done so. We know Houselink has made the necessary changes and has put the proper processes in place.

In closing, I'd like to say that my staff are satisfied with the present status of Houselink's operations and we

are confident the problems of the past have been resolved satisfactorily and in the most economical way.

In terms of supportive housing, our relationship with the Supportive Housing Coalition began in February 1983 with the Ontario community housing assistance program and an allocation for 10 hostel units at that point. Today, Supportive Housing Coalition manages some 625 units in 35 buildings. Once again, all of these units are for people requiring additional support or care.

Prior to 1989, as in the case of Houselink, we had no reason to be concerned about the management practices of Supportive Housing Coalition. There was no indication of any problem until Supportive Housing Coalition was audited by Health in 1989. Two outstanding issues from this audit were of particular concern to Housing. One was the allocation of administrative expenses between Health and Housing, and the second was the possibility of duplicate funding of vacancy losses.

As there was nothing concrete that indicated problems, we did not request our own audit until late 1990. The results of this audit show that there were some concerns with Supportive Housing Coalition's accounting, procurement and financial reporting practices and, once again, that internal controls were weak. Our auditors also noted that construction cost overruns had not been financed in accordance with ministry policies and that sales tax rebates had not been used to reduce the mortgage principal in a timely manner. Our auditors also commented on the land loan guarantees allocated to Supportive Housing Coalition, as a number of projects remained to be completed.

In April 1992, the central regional office met with representatives of Supportive Housing Coalition to discuss the audit findings. Later that month, Supportive Housing Coalition confirmed in writing its full intention to comply with the audit recommendations. I'd like to talk about some of what Supportive Housing Coalition and our ministry have done to resolve the audit concerns and improve administrative practices.

In an effort to improve its procurement practices, Supportive Housing Coalition is now involved in the segregation of duties and rotating its awards to contractors through a competitive process. They have also improved their financial practices and reporting, and work with their auditors to improve internal controls. In addition, they have agreed to apply for sales tax rebates in a more timely fashion and use these rebates to reduce mortgages. Finally, they have developed a very extensive management plan. We have reviewed this plan and consider it to be more than satisfactory. Supportive Housing Coalition is now requiring more involvement from the members of its board and finance committee in the area of budgets and financial reporting.

Staff of the Ministry of Housing also took steps to correct the situation at Supportive Housing Coalition and prevent a recurrence of the problems. In June 1992, the executive director of housing field operations wrote to Supportive Housing Coalition and advised them to concentrate their efforts on improving the management and financial administration of their existing portfolio. In the meantime, Supportive Housing Coalition was told

there would be no new allocations until an acceptable management plan had been submitted to the central office. In cooperation with Supportive Housing Coalition, we have also reviewed the 1992 vacancy statistics and the charges to Health. No reporting problems were found.

In addition, my staff have worked with Supportive Housing Coalition to improve the method of budget allocation. All outstanding financial statements were reviewed and settled in May 1993. We will also continue to monitor Supportive Housing Coalition's compliance with the above recommendations.

In support of Supportive Housing Coalition, I would like to point out that its staff and board members have made significant changes. I know that since the results of the audit were known, they have focused their efforts and energies on correcting the problems. They have worked very closely and cooperatively with my staff to implement all of the recommendations.

In the spring of this year, Supportive Housing Coalition initiated a strategic review of its organization. This is being done by outside consultants and is currently in process. The report should be completed later this summer and is expected to make recommendations on the staffing structure and administrative procedures.

Although there is still work to be done, my staff are satisfied with the progress Supportive Housing Coalition has made. They have a proven track record in terms of both project development and management. They have demonstrated a dedication and commitment. We are confident that Supportive Housing Coalition has the necessary organizational skills to resolve its administrative problems and will continue to grow as a major housing provider in Metro Toronto.

My comments may have been a bit longer than I had honestly anticipated myself, but I thought they should all be out on the table. Thank you.

The Vice-Chair: Thank you, Mr Studden. Ms Hill.

Mr Cordiano: Madam Chair, there are approximately 50 minutes left.

The Vice-Chair: There are 55.

Mr Cordiano: I think members have many questions they would like to pose. We took almost 25 minutes for that presentation from the Ministry of Health. Not to be disrespectful to the people who came here today, I would personally like to ask some questions around some of the details on the audits that were presented to us, if other members agree. If they don't, we can carry on in the fashion that you suggested, Madam Chair.

Mr Marchese: I think we should give Ms Hill the opportunity to give some opening remarks, in which case it would leave each caucus with approximately 15 minutes anyway. We can ask them to come back, obviously, but I think it's important to have introductory remarks.

Mr Tilson: Are you prepared to extend your June 8 deadline?

Mr Marchese: I think that if we don't engage in a great deal of repetition, we can keep to that deadline.

Mr Tilson: It gives us 15 minutes of comments.

The Vice-Chair: I think it is important to give the

Ministry of Health an opportunity to make some brief opening comments. In fact, they may address some questions that members have at this time in those comments.

I can appreciate your concern, Mr Cordiano. The comments from the Ministry of Housing did take longer than we had anticipated, but I think politicians are probably the last ones to criticize bureaucrats for talking longer than they should.

Mr Cordiano: We get paid by the word.

Ms Hill: I will try to keep my comments very brief. Primarily what I want to focus on are accountability mechanisms that we've put in place and the follow-up to both audits.

To begin with, I think it's important to understand that the Ministry of Health had expanded the budget for the community mental health programs in direct response to the deinstitutionalization of people living with a severe mental illness. Funding increased from \$42.9 million in 1985-86 to \$92.5 million in 1989-90, and to \$142 million in 1993-94. From the mid- to the late 1980s, therefore, funding more than doubled.

During this period, existing programs were expanded and the number of programs increased by about 25%. The priorities during the 1980s were growth and expansion to meet the needs of the community. The focus of ministry staff was on reviewing proposals for new programs and setting up the services.

Due to the rapid growth in community programming and limited staffing resources within the ministry, there was definitely a delay in putting all the appropriate accountability mechanisms in place. We recognize that the controls were weak and the approval processes were much more informal in the 1980s than they are today.

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The Provincial Auditor undertook a review of the former community mental health branch in 1992. This audit clearly identified accountability mechanisms which needed to be strengthened in keeping with the increased focus on fiscal management and monitoring that was occurring across all ministries. The community mental health branch was aware of these needs, and preparations for improved practices were already under way. Since 1992, and reinforced when I joined the branch in March 1993, the following measures have been implemented or enhanced to strengthen the accountability of programs with regard to both financial and program management. I think these specifically address the Provincial Auditor's question about the information flow from our programs:

—Detailed budget reviews for all programs are undertaken each year.

—A new budget package was put in place for the 1993-94 fiscal year which combines the operating budget with an operating plan including goals and objectives and a program activity report.

—An internal record of all financial reporting requirements for each transfer payment program is maintained and monitored. Appropriate adjustments are made to cash flows.

—Program budgets are semiglobal budgets with

separate categories for compensation and other operating expenses. Programs must obtain approval in writing before transferring funds between these categories and before any changes are made to the number of program staff.

—All budget requests, including reallocations, are received in writing and are reviewed by ministry staff to determine if they are in keeping with ministry guidelines and whether any base budget or fiscal adjustments are necessary.

—All funding approvals and budget adjustments are confirmed to programs in writing.

—A program evaluation process was established in 1990. This ministry-staff-led process involves a review of policies and procedures and accountability mechanisms as well as consumer satisfaction.

—A standard memorandum of understanding package was developed in 1992. The MOU package is currently being updated to reflect recent changes. Our plan is to ensure that updated agreements are in place with all funded programs by the end of the fiscal year.

—Audits are conducted on a routine basis or when specific issues are identified.

—In determining the implementation plans based on audit recommendations, priority is given to ensuring that corrective action with regard to accountability is immediately put in place. A balance between making appropriate recoveries and ensuring that services for vulnerable people are not disrupted is sought.

I'd now like to turn to the specific steps which were taken by the branch in relation to the audits of Houselink and the Supportive Housing Coalition.

Mr Tilson: On a point of order, Madam Chair: Do I understand that we're asking this delegation to return next week? We're now on page 4 and I assume we're going to go to page 8 of this presentation, which will pretty well take us to 20 to, I would imagine. As long as we have the assurance that the delegation is coming back next week so we can ask questions—

Mr Cordiano: It's constituency week.

Mr Tilson: Not next week; you're right. The next meeting of this committee.

The Vice-Chair: Perhaps I could ask the acting deputy minister, and the Deputy Minister of Housing as well, if your schedule would permit reattending on June 2, I think it would be.

Mr Burns: Recognizing that in the first instance, all of your agenda-setting is in your own hands, in our case we've set aside all four of your meeting times in our schedules, and any official of the ministries required by you for your own agenda will be available at any one of those times.

Ms Hill: The same with our ministry as well.

The Vice-Chair: Thank you. Mr Tilson, given the fact that the ministry representatives are willing to attend for the next meeting, can Ms Hill continue?

Mr Tilson: Sure. We could read it over, but that's fine. I'm just following along with her.

Ms Hill: The audit report identified that as of March

31, 1990, Houselink had \$2,176,115 in surplus Ministry of Health funds. Following a number of adjustments, which Karim Amin reviewed last week and this morning, the final recovery amount was determined to be \$1.735 million.

I would like to emphasize that after receiving the draft audit report in late November 1990, the branch recovered \$1 million by February 1991 and an additional \$735,000 by September 1991. The audit recoveries were completed by September 1991, in advance of the finalization of the audit report, which took place in October 1991.

In order to prevent Houselink's continued accumulation of surplus, a few weeks after receiving the draft audit report, the branch reduced the program's 1990-91 budget by \$192,000 and its annualized budget by \$130,000.

Once the final audit report was issued in October 1991, it became part of the public record. Since that time, the Ministry of Health has not received a single request from the public for its release. Had such a request been received, the report would have been shared.

The audit report identified a number of issues in the areas of RRSPs, merit pay/bonuses, salary increases, sabbaticals, audit fees, landscaping and other expenditures, as well as internal control procedures, board structure and management practices. These areas were reviewed in detail by the branch.

The branch confirmed that the RRSPs were part of the employee benefit package which was established under the authority of the board of Houselink. The RRSP contributions, representing approximately 3% of compensation, were spread out among up to 17 staff per year over a five-year period.

The branch confirmed that the merit pay and salary increases were also spread out among numerous staff over a several-year period. The merit pay practice was discontinued following the audit.

The branch confirmed that the total remuneration for staff, including salaries, merit pay and benefits, was within the range of approved salaries for staff of community mental health programs at that time. Had prior ministry approval been requested for the salary increases, it would more than likely have been granted and incorporated into Houselink's approved budget.

Since the audit, Houselink has followed the appropriate approval process with regard to salaries and benefits.

The branch confirmed that sabbaticals were a board-approved policy. The sabbatical policy was discontinued following the audit.

The branch confirmed that in direct response to the audit, Houselink implemented internal financial control procedures with regard to expenditure approvals and cheque-signing.

The branch confirmed that Houselink set up a system for maintaining appropriate documentation with regard to all expenditures, including expenditures related to attendance at staff development conferences.

The branch confirmed that Houselink implemented internal procedures whereby public funds cannot be spent on parking violations, liquor for staff-client functions and charitable donations.

With regard to the unapproved expenditures, the options at the time for the branch were to recover the expenditures or to allow them. Given that the funds had already been spent and that the agency's primary revenue source is public funding, the following was taken into consideration with regard to possible recoveries.

The branch could not have required the directors of the corporation to repay the amount, as directors of incorporated companies are immune from personal liability for the actions of the corporation.

The branch could have demanded that the non-profit corporation repay the amount. However, repayment would have been difficult for an organization which receives most of its revenues through public funding. This action would have brought about costly legal proceedings for the ministry and perhaps dissolution of the corporation. The corporation would have had no legal basis for demanding that the program staff personally repay the salary increases they had received.

The branch could have reduced the program's transfer payment. This action would have caused service delivery reductions and would have resulted in punishing the clients of the program, and in essence it would be the ministry paying the ministry back.

It was the determination of the branch that either of these options would have led to significant instability within the organization and ultimately would have had a negative impact on the clients of the program.

After careful review of details of the payments, and recognizing that the branch's accountability expectations were still in their developmental stage in the late 1980s, it was accepted that the board's understanding of its autonomy for approving expenditures was different from ministry expectations. Accordingly, it was the decision of the branch to allow the payments and to focus on ensuring that corrective action was put into place immediately. As mentioned earlier by Mr Amin, and now, Houselink implemented corrective internal control and management procedures in direct response to the audit.

With respect to the Supportive Housing Coalition, the Ministry of Health has worked with the coalition to address the issues identified in the Ministry of Health audit related to lieu-time payments, disposition of donations, joint funding arrangements with the Ministry of Housing and administrative practices.

It is important to note that the Ministry of Health audit did not identify any financial recoveries. The Ministry of Health has since clarified that the lieu-time payment was provided from the Ministry of Housing funds for work related to Ministry of Housing purposes. This is not contrary to Ministry of Housing policy. There is no question regarding the fact that the overtime was worked.

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Under these circumstances, the final determination of work performance and appropriate compensation rests with the board, as the employer. The board has significantly reduced the utilization of external professional accountants, but they maintain that, given the complexity of their financial portfolio, they still require some outside support. They will be phasing this practice out over time

as their own staff enhance their professional training.

The ministry has confirmed that the Supportive Housing Coalition board of directors has established a comprehensive procedure to deal with the acceptance and disposition of charitable donations. Ministry of Health and Ministry of Housing staff have met on several occasions to review funding arrangements and to confirm that each ministry is not providing more funding than appropriate. These discussions are ongoing and will be coordinated with both ministries' responses to the Supportive Housing Coalition's current organizational review, scheduled to be completed in June.

Finally, the ministry has confirmed that all the matters related to internal controls, cheque-signing practices, board minutes etc have been fully addressed.

In conclusion, accountability standards in general are different in 1994 than they were in the late 1980s. We are confident that the mechanisms we have in place today, which continue to be refined, allow our transfer payment agencies to achieve a balance between appropriate accountability and independent program management. In this way, the ultimate goal of all of our programming—that of providing necessary support services for vulnerable people—is being fostered.

The Vice-Chair: Thank you, Ms Hill. We'll begin with our rotation, 12-minute sessions.

Mr Bruce Crozier (Essex South): I just have a quick comment, and I'll only ask one question because I think usually, by the time we get finished, all the questions I've got have been asked anyway.

I hope the committee has moved on from the point of trying to define what is fraud and criminal with the auditors to an area where, although some of what we may have seen done on the management level may be criminal in the quotation mark sense, essentially what we want to address now are perhaps the concerns we've had with past management and those steps that have been taken to improve that management.

In your address, Ms Hill, you have made the comment on page 6 that "the community mental health branch could not have required" and so on, because "incorporated companies are immune from personal liability for the actions of the corporation." I'd like to have a legal opinion on that, if in fact someone can't give me one today. I really question that statement, number one. I'd like a legal opinion. It has always, or at least recently, been my opinion that in fact directors are responsible and that's why you have directors' liability insurance.

Ms Hill: We certainly can bring legal counsel with us to the next session, if that would answer the question.

Mr Crozier: Is that the way we would normally get the opinion?

The Vice-Chair: The ministry would be invited to either do it by written response before the next meeting, or in fact they could bring their legal counsel with them to the next meeting, whichever is the more appropriate option.

Mr Crozier: Whichever is the more economical.

Ms Hill: Yes.

Mr Cordiano: I would like to ask the Ministry of Health, with respect to the statement you made in your submission to us, the last part of that statement says that the standards for accountability in 1994 are different than they were in the late 1980s.

I have before me a document that's dated April 21, 1989. It's to Martin Barkin, Deputy Minister of Health. It's regarding the first audit, I believe—at least, that's the only information I have—about the Supportive Housing Coalition. This was for the year ended March 31, 1988. From that audit—and you're probably familiar with this so I don't need to go back in time here and go into detail in what was suggested—I think it was pointed out that there were administrative expenses between Health and Housing, duplication of expenses—these were the things that were of concern in this audit—review the budget of the Supportive Housing Coalition, avoid duplication of funding, a number of other things, fringe benefit package of the program and consider establishing a guideline for all the community mental health programs. This was dated April 21, 1989.

The audit report was for the year ended March 31, 1988. There were a number of recommendations that were put forward regarding the practices, recommending that a petty cash book be maintained, so on and so forth. There were a number of other recommendations about accounting records, about fringe benefits, as I pointed out earlier, capital expenditures, all of the same things that were recommended in subsequent audits.

I look at this, a subsequent audit, which was dated in a letter to Michael Decter, June 8, 1993, on the Supportive Housing Coalition. It reads pretty much the same as the previous audit. There are a lot of concerns around expenditures, the practices, the lack of guidelines etc, the lack of administrative procedures, and fringe benefits comes up again.

By my accounting, from April 21, 1989, to January 8, 1993, this audit and the subsequent audit was for the period April 1, 1988, to March 31, 1991. What concerns me about your last statement, that you have improved your accountability standards, is that it took almost—I suppose, if we were generous, we might say that in April 1992, subsequent to the reporting of the auditor and his findings that either Health or Housing started to take additional action, additional audits were requested of a variety of agencies, responses were given to the auditor's findings, the Ministry of Health came back to this committee with a plan for improving accountability and for including new management systems for tracking allocations and a variety of other things.

At the end of the day, I would say it took quite a period of time between that first audit of Supportive Housing Coalition and the last audit, if I'm not mistaken, which was handed to the deputy minister in June 1993, unless this letter is incorrect. That's what, four years? It took four years in which to start to take action.

Ms Hill: Of the two reports you were referring to, one of them, the first one, speaks to both requirements we should make of programs but also improvements we should make in the branch. The second audit report speaks more to the improvements that are required in the

Supportive Housing Coalition. There is no doubt that in terms of our own accountability mechanisms, as I said, the Provincial Auditor's report indicated that we had considerable movement to make.

What I really tried to indicate with my comments is that since the Provincial Auditor's report, we have been moving forward, full steam ahead, to strengthen all our accountability mechanisms, because we believe very strongly that it is putting the accountability mechanisms in place, up front, that makes all the difference to our funding relationships with our transfer payment agencies.

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Mr Cordiano: So do we. I would just point out that when we were talking earlier with the auditors about expenditures that were unauthorized—and the figure was \$248,000; I keep saying \$242,000—this was done after the fact. The frustration that I have, and I think the biggest concern people have, in reviewing these audits is that action was initiated, concerns were expressed, back in 1989, at least beginning with some concerns around the Supportive Housing Coalition.

Some actions, as you point out, were taken at that time, no doubt, but following that is a letter to Michael Decter on Houselink on October 24, 1991, over that audit, again relating back to this expenditure of \$248,000. What we're trying to get at here is that there was a lack of administrative procedures, or at least that there were guidelines lacking, which all points to the fact that there were no operating agreements with regard to most of these agencies. It's been pointed out by the auditors that, of the audits they conducted, half of those agencies did not have operating agreements with the Ministry of Housing. As a result we have expenditures that occurred, unauthorized expenditures that were not recovered and subsequently approved. Why were those expenditures approved subsequently?

Ms Hill: I went through in my comments, but I certainly can go over them again, why that amount of \$248,000 was approved. I refer you to page 5. If you'd like me to walk through the \$248,000—

Mr Cordiano: I've heard what you've said, and what you've said is, "We could not recover those from individuals." There was a problem to do so because of the fact of lack of liability extended to those people. Obviously, there was legislation that was passed by this present administration dealing with liability or negligence on the part of directors of the board of any corporation. You've suggested that you will get back to us. I just find it difficult. When did you authorize these expenditures, on what exact date?

Ms Hill: Let me just pull out the chronology of events that I have.

Mr Cordiano: That you haven't made clear in your documentation.

Ms Hill: Yes, I certainly can provide you with the chronology of events if the committee would like that. The process we followed is that we wrote to Houselink in April 1991, requesting a formal response to the draft audit report, every item of it. Written feedback was received in April as well, which included a set of internal

control procedures which were implemented in direct response to the audit. As well, during the process of reviewing the draft audit report, we reviewed those expenditures with the agency. Specifically, as I said, it was not simply a matter of whether we could or could not recover. We went through all of the expenditures to determine whether, if they had sought approval, we would have approved them, which is an issue for us because if there are poor management practices in place—what we were trying to determine is whether the funds were used for the purpose of appropriately serving the clients of the agency and were in line with other approvals we've given when they've been asked for. The \$248,000 largely fell into that category in terms of the RRSPs and the merit pay and so on, which I've outlined on page 5.

Mr Cordiano: I'm going to have to move on and allow my colleagues to ask questions, but this really is the heart of the matter. I would like to get back to you when you do come before us again on the details of those expenditures and what you did authorize and what was approved after the fact.

The Vice-Chair: The official opposition's time has expired, so we'll move to the third party.

Mr Tilson: I appreciate that the Ministry of Health, and perhaps the Ministry of Housing, for that matter, will be providing us with some sort of legal opinion on the liability of directors and staff of these types of service organizations. My understanding is that in cases of negligence, or even illegal activity, for that matter, they certainly can be held liable. In fact, that is why executive directors and treasurers are bonded and that is why, as Mr Crozier has indicated, no directors—to my knowledge of any groups that I've ever spoken to—would ever agree to sit on boards of directors without the organization providing liability insurance.

I'm wondering, Madam Chair, if I could direct a question to Ms Anderson. Would she be in a position, through any of her resources, to provide us with an opinion on that topic of the issue of liability of directors and staff of non-profit corporations?

Ms Anne Anderson: We can certainly do that for you, have some of our legal staff do an opinion.

The Vice-Chair: Mr Tilson, I think we should get a legal opinion on it, but I think the confusion about it was that the government had introduced legislation concerning the liability of directors. They had included non-profit organizations but, if my memory serves me properly, I think the government withdrew that portion referring to non-profit directors. That's why we're having difficulty grappling with it, but the legal opinion can certainly clarify it.

Mr Tilson: I'm only saying that with the limited experience I've had with non-profit housing corporations, directors and staff have had some sort of insurance. If that were the case—and I'm getting back to the question that was started to be canvassed by Mr Cordiano, and that is the whole issue as to why there was approval given. That seems to be much the basis of why the approval was given, that people may have done things, illegally or not, or been negligent, in which case it would cost action to

proceed against them and there may not be any recovery. I believe that could be the case. If I'm wrong, that's fine; I'd just like to hear some specific opinion.

Getting into other areas, and I suppose this applies to either of the ministries or both of the ministries, and that is—Mr Studden hasn't had an opportunity to speak on this topic as to approvals, and maybe we should do that first. My understanding is that many boards of directors have had little knowledge of finance and management and that therefore many of the decisions were left to the position of the executive director or other staff. I'd like some comment on that issue, as to the qualifications of the boards to deal with these types of financial decisions, presumably on the recommendation of executive directors or paid staff.

Mr Burns: Are you asking a general question about how we deal with this or are you asking specifically about one of these organizations back at the time of the audit?

Mr Tilson: We know that specifically with Houselink one half of the board members were residents. We know that and we know they simply had little knowledge of financial matters, and much of the justification for granting the ratification of these decisions was based on the fact that these decisions had been approved by board members. So, yes, the question is specific towards Houselink, but if that is the case, then it could apply to the whole system.

Mr Burns: Thank you. That makes it simpler for us to address. What I'd like to do is just take 30 or 40 seconds on the general question and then ask Mr Studden to address the question of his meetings with the board from our point of view, which took place at the beginning of this, to look at the question of developing better board practices and training where necessary.

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We presently require, and have for some time, groups who wish to sponsor and manage non-profit housing to demonstrate to us that they have the capacity to do that. One of the things that they have to do is demonstrate that in their membership and in their board they've got a good, solid cross-section of the skills that you need to tackle this kind of responsibility.

Having said that, we also encourage people, and in the future will require them, to have some participation of residents on boards. There's nothing about that element by itself which would, in my view, suggest that a board as a whole didn't have the capacity to deal with its responsibilities. You'd have to look at the composition of the whole board, and as I said, we do that when people are now entering our system and applying for financial support.

Mr Studden can speak to both Houselink and Supportive Housing Coalition at the time we discussed their situation with their boards.

Mr Tilson: I quite agree, and maybe you're right: We should hear from Mr Studden on Houselink and Supportive Housing. I guess we're dealing with respect to Housing throughout the whole policy with respect to people who are on boards. But the comment is that if this

practice is that we allow some sort of understanding—eventually, you know, Mr Burns, we're going to start talking about operating agreements.

Mr Burns: Yes.

Mr Tilson: You know that's coming. But specifically on the topic of qualifications, in other words, just anyone can't sit on these boards, particularly when we're dealing with thousands, millions, of dollars. So that's very important, I think, that you relay to the committee the ministry's specific policies—and in some instances this would apply to the Ministry of Health—as to the qualifications of board members who will be making, specifically on non-profit boards, very important financial decisions. I know you're finished, but somewhere along the line I'd like you to tell us what the ministry's policy is on that issue.

Mr Burns: As I said, we require people who are now wishing to enter our program to demonstrate they have the capacity as an organization, including their directors, to tackle their responsibility and—

Mr Tilson: How do you do that when half the board, specifically with Houselink, didn't have those qualifications?

Mr Burns: I haven't seen any evidence that the resident directors, as part of a larger board, were incompetent to be directors or attributed to a situation where the board was not able to grapple with its problems. I think the evidence is that, confronted with the assessment of its weaknesses, the board worked quite diligently in its own terrain and with our staff to address the questions that were raised.

Mr Tilson: The problem is, Mr Burns, that the audit said just that, that half the board members were residents who had very little knowledge of finance and management. That's what the audit said.

Having said that, we know that's a fact at some point. Both ministries have made it very clear that this has all been clarified. I'd like to know how. That's a very serious allegation that's been made by the audit people.

Mr Burns: At the level of our policy approach, I've indicated to you what our approach is. With respect to the individual organizations, as Mr Studden indicated in his opening remarks, we sat down with the board and the executive staff and worked with them to create a work plan, a program, to address the issues raised in the audits.

Mr Tilson: Ms Hill, have you got any comments on this issue of qualification of directors, dealing specifically with the audit report?

Ms Hill: I think Houselink itself can speak probably in much greater detail to their own orientation packages and training for board members. But I think what did change following the audit was much clearer internal controls put in place and requirements of board members.

Mr Tilson: What are they?

Ms Hill: The requirements?

Mr Tilson: Yes.

Ms Hill: I'm not sure of all the details right at my fingertips. We can probably provide them for you.

Mr Studden: Just in terms of the board of Houselink,

as Mr Burns said, I did make some opening comments with regard to the fact that it's not just the board that we rely upon, but I'm sure the board themselves rely very heavily upon the information they're getting from their audited statements that they have been receiving. In the case of Houselink, they are an experienced provider. As Ms Hill did indicate, there is ongoing training for board members that I know is provided in the case of Houselink. Houselink as well has a very extensive management plan, and they have had a management plan in existence for quite some time.

Mr Tilson: What are the qualifications to be a—

The Acting Chair (Mr Bruce Crozier): Mr Tilson, the time will have expired by the time that question is finished, 11:46.

Mr Tilson: What are you saying, that I can't ask any more questions?

The Acting Chair: Exactly. I was trying to say that nicely.

Mr Tilson: Very kind, Chair.

Mr Perruzza: Very quickly, I got a package of information here which I just had an opportunity to scan very quickly, and it's really all from the Ministry of Housing. Last week I also asked the Ministry of Health, so I guess that information from the Ministry of Health is coming.

Ms Hill: Yes, it's coming.

Mr Perruzza: My questions are really just for the Ministry of Housing reps. They're pretty standard applications in the way they're set up; I guess just the numbers change from project to project, application to application.

Every community group I've ever known really has to communicate with you a number of times before it's allocated any money, so I suspect that there are further budgets and further correspondence other than this. But is this what you review when you allocate moneys to groups; you just go through this and then you send this confirmatory letter to them?

Mr Studden: If I could just touch upon the package Mr Perruzza has in front of him, in case everyone is not quite aware, it contains the financial statement review process that the Ministry of Housing undertakes, as well as the budget review process. For the period in question, that being 1988-89 and 1989-90, we have provided the budgets for Houselink and the audited financial statements for those years.

The package does have, I think at the beginning of it, a fairly extensive review process that we undertake. I can go through that process, but in terms of your question, Mr Perruzza—

Mr Perruzza: My question is this: You look at these numbers. How do you screen this stuff? How do you say, "Sure, shelter loan amount is \$226,334"? How do you confirm that number? Do they just submit that and you say, "Okay, sure, we accept that, \$226,334 for that item we're going to give to you"? How do you deal with it?

Mr Studden: In terms of the budget review, for the first-year budget, a very extensive program is put into

place so that we know that what is being asked for makes sense in relation to other non-profit corporations, so that we're not giving them more, whether it be for janitorial services or anything else. We establish comparables for the actual budget and in terms of the financial statements. Then when we do receive financial statements, we make comparisons of the financial statements against budgets and against other non-profit organizations or comparables.

Mr Perruzza: So you do that for the first time and then later on you compare them and you say, "Sure, you need some money for roofing; here it is," \$4,000 or whatever it is that they're asking for. Then you say, "Okay, here's the \$4,000 for your roof," or do you say, "Oh, yes, Jeez, these guys really do need a new roof so we'll give them the \$4,000"?

Mr Studden: In terms of the repairs, we look at it as being reasonable or not reasonable. We would not go out and look at the actual building ourselves. We expect the non-profit corporation to undertake that itself.

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Mr Perruzza: In looking at this stuff it seems pretty standard, and they've crossed the t's and dotted the i's and you just give them the money. So what you're saying is that you've really placed the onus for honesty on them as opposed to yourselves.

Mr Studden: In terms of the onus for honesty, yes, it is placed upon the non-profit corporation, but at the same time we do scrutinize the financial statements and the budgets on a regular basis—yearly, as a matter of fact—to ensure that what is being asked for is not at all unreasonable.

Mr Perruzza: Then you sent back this letter, and basically it's a confirmatory letter. Is Elizabeth Williams still in the Ministry of Housing? That's Elizabeth Williams, and you're Elizabeth Williams's boss.

Mr Studden: Yes.

Mr Perruzza: And you've been there since, both of you?

Ms Elizabeth Williams: Since 1986.

Mr Studden: Since 1989.

Mr Perruzza: Okay. So then you sent back this letter, which basically says: "With regard to audited financial statements, these are to be submitted within five months of the project's year-end. Guidelines for submissions....If you require any further assistance...."

There are two audits here that you supplied in the package; I just want to ask that question in a minute. There's a letter that we got from the researcher which is dated March 25, 1991, to Mr Studden by Mr Singh and it says, "As per your request," here is the audit of Houselink. When did you ask the Mr Singh to do the audit?

Ms Williams: Of Houselink?

Mr Perruzza: Yes.

Mr Studden: July 16, 1990.

Mr Perruzza: That's how this other letter went out, which is basically unsigned, again from Elizabeth Williams, which says: "To the board of directors of Houselink Community Homes. Give us back \$240,000 because you've got a surplus there."

Mr Studden: This was all part and parcel of the audit and the review of the financial statements for the two year-ends involved.

Mr Perruzza: Right. I want to ask a question on that in a second. So you asked in July 1990 for the auditors to go in, and they reported to you about a year later, on March 25, 1991. Right?

Mr Studden: Yes.

Mr Perruzza: But in the interim, you sent out a letter on December 5, 1990, which said: "You guys owe us \$240,000. Give it back." Right?

Ms Williams: Yes.

Mr Perruzza: The two financial statements by Mintz and Partners: One is dated March 31 and one is dated and stamped—I guess it's a Ministry of Housing, finance and administration stamp—June 14, 1990, just to get that on the record. I guess that's the date. So a month later you asked for an audit. Right?

Ms Williams: But not as a result of receiving that.

Mr Perruzza: No?

Ms Williams: No.

Mr Studden: The financial statements you have in front of you are a regular, ongoing process. The request for an audit was as a result of our discussions with Health. So the world did not stop at any point. We continued dealing with the financial statements. That's why, in my opening address, I made mention of a number of dates and the statements we had on hand at that particular point in time, because we continued to review statements and deal with Houselink on a regular basis.

Mr Perruzza: Okay. So you're saying the onus for honesty is with the group, right? You got a financial statement dated March 31, 1989. It's stamped here—I presume it's stamped by you—June 14, 1990. You get it 14 months later, right? This statement says that this group is running a surplus, but you still wait for the Ministry of Health to say to you, "Go in and take a look, because there's something wrong here"?

Mr Studden: In terms of the statements, I'm not quite sure—you're telling me what the dates are.

Mr Perruzza: Yes, but this is your package.

Mr Studden: I'm saying there is very much a process involved for these statements where it is expected that the statements be sent in to us six months after the year-end.

Mr Perruzza: Five months, it says in your letter.

Mr Studden: Sorry. Yes, five months.

In terms of our having received those statements, and in that case we may not have received that statement in a timely manner, we would have been dealing with them—I'm not quite sure why we didn't receive the statement in a timely manner in that particular case. But there would be no indication to us that anything was wrong.

Mr Perruzza: When you don't get a statement, do you send out a letter saying: "We haven't gotten your statement. Get your act together and get us a statement"? Can we have that information as well as part of this package so that we can figure out where—I guess what

I'm trying to figure out is, is there a driver in the car or are we just headed down the road? So I look forward to that information. I'll turn it over. I know my colleague wants to ask you a couple of questions. But I have several others.

Mr Marchese: Madam Chair, I'd like to allow him the opportunity to finish his questions for the day.

The Vice-Chair: Since there's only actually about a minute left, Mr Perruzza, maybe you could finish off your time, unless you've completed your questions.

Mr Perruzza: They would take a lot longer than a minute, Madam Chair. They're going to take several days, in fact.

The Vice-Chair: I'm not quite sure we have several days.

Mr Perruzza: What I'll do is, I look forward to the information from both ministries and to reading that.

The Vice-Chair: Thank you. I appreciate the offer of ministry representatives to be in attendance at our next meeting, June 2. It's my understanding we have a consensus by committee members that we would like the deputies and their staff to be back for the June 2 meeting.

Mr Crozier: And the time?

The Vice-Chair: The time would be 9:15. I think we had unanimous agreement that we would at least attempt to start at 9:15.

Mr Marchese: Madam Chair, could we have subcommittee for a few moments?

The Vice-Chair: Certainly. I would ask Mr Cordiano, Mr Tilson and Mr Marchese to stay for a subcommittee meeting. The public accounts committee stands adjourned until 9:15, Thursday, June 2.

The committee adjourned at 1158.

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**In attendance / présents*

Substitutions present / Membres remplaçants présents:

Wilson, Gary, (Kingston and The Islands/Kingston et Les Iles ND) for Mr Owens

Also taking part / Autres participants et participantes:

Ministry of Health:

Amin, Karim, former director, audit branch

Hill, Jessica, acting assistant deputy minister, mental health programs and services group

Ministry of Housing:

Burns, Daniel, deputy minister

Glendenning, Andy, director, audit services branch

Singh, Brad, former director, audit services branch

Studden, Trevor, regional manager, central/metro Ontario region, field operations division

Williams, Elizabeth, manager, finance and administration, central/metro Ontario region,
field operations division

Office of the Provincial Auditor:

Peall, Gary, director, Education and Training, Housing and Municipal Affairs audit portfolio

Peters, Erik, Provincial Auditor

Clerk / Greffier: Decker, Todd

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service

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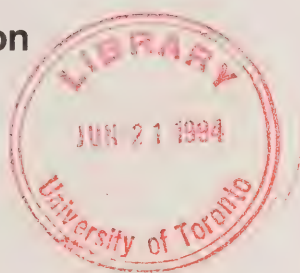
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Standing committee on
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 2 June 1994

Jeudi 2 juin 1994

The committee met at 0926 in room 151.

HOUSING AUDITS

The Vice-Chair (Ms Dianne Poole): Good morning. This session of the standing committee on public accounts will continue to look at the issues of Houselink and other housing-related matters.

Before we begin the questioning today, two weeks ago there were some questions about directors of non-profit corporations and board of directors' liabilities, so there has been a paper prepared by Avrum Fenson, research officer from the legislative research office. Avrum, could begin by giving a brief outline of his findings and then, if members have questions, we could pursue that.

Mr Avrum Fenson: The starting position in looking at corporations is that there isn't personal liability for the directors, the employees and so on for acts done by the corporation. There are many circumstances in which that is gotten around, either by contract or by statute. For example, if a small business corporation wants to borrow from a bank, the bank, knowing that the corporation is a kind of shield, will insist on a personal loan guarantee from the owner.

Statutes often set up instances in which there is a personal liability. For example, the Corporations Act imposes a personal liability on directors where a corporation is unable to pay wages because it's bankrupt or in receivership. The directors might be liable for six months' wages. Business corporations are liable for even more under the Employment Standards Act now.

Also, it's possible sometimes for directors of corporations who are very closely involved with the day-to-day managements to be liable in criminal situations or quasi-criminal situations. A director-owner of one corporation recently went to jail on an environmental offence.

Still, the basic structure of a corporation insulates the people inside from personal liability unless there's some other statute or contract determining otherwise. The duties of a director are essentially to the corporation, not to the outside world, not to the public, not even, in theory, in the case of a business corporation, to its shareholders. It's to the corporation itself. The duties that the director owes a corporation of any kind are honesty, loyalty, diligence and so on, but it's a debt owed primarily to the corporation.

This is a very simple answer. I have not examined the incorporating documents of Houselink. I've been asked for a general account of directors' liability. I can give a more specific answer after looking at the incorporating documents. My sense, from looking at the law and the

expenditures which have caused this inquiry, is that the directors would not be a useful target to go after for reimbursement of moneys that have not been returned.

One thing you have to keep in mind is that the standard of care for a director in a business corporation is an objective standard, but the standard that is applied to directors of non-profits is the common-law standard, which is subjective. Those directors of, say, Houselink or any other non-profit who are amateurs without much technical experience are held only to their level of experience, whereas a director who is financially experienced or a lawyer will be held to a higher standard. So that's another twist in dealing with liabilities of directors; the standards are peculiar to each director. A short and simple answer is that the directors really can't be gotten at, but I can pursue this if the committee would like.

The Vice-Chair: Thank you. That's been quite helpful. We'll start with Mrs Marland.

Mrs Margaret Marland (Mississauga South): Are we actually hearing that the liability of individual directors is based on who they are as an individual?

Mr Fenson: The standard of care in their conduct of their directors' duties depends in non-profit corporations on a subjective assessment of their experience. In other words, you can expect of them only what their own experience, background and training would reasonably allow you to expect, as distinct from a business corporation, where you don't have to inquire. You're entitled to a competent, prudent level of behaviour from them, simply because the Business Corporations Act says so.

The level of care demanded from non-profits is the common-law standard, which is couched in subjective terms. It's not embodied in the Corporations Act.

Mrs Marland: So if you were to have a highly qualified business person or professional sitting on the non-profit board, are you saying he or she goes with the level of the non-profit board?

Mr Fenson: No. You could expect a higher level of competence from that person.

Mrs Marland: What would the courts expect?

Mr Fenson: The courts would refer to that common-law standard and expect a higher level from them.

Mrs Marland: Are you suggesting that there might be some circumstances where the court may look at individuals on a board rather than at the board as a whole? If you've got a broad spectrum from one end to the other—and I don't want to give examples, obviously—

Mr Fenson: Yes, in principle, but I should say that

these standards are applied to those duties which are owed the corporation, so it's not going to have much practical difference in assessing the liability of the board as a whole and its members for monetary compensation.

Mrs Marland: So we've got thousands of boards of non-profit corporations around this province representing the investment of millions of taxpayers' dollars that have no liability.

Mr Fenson: The funders know this. Let me give an example. When the Ministry of Housing is making a deal with a corporation that's been set up to provide some sort of non-profit housing—we'll forget the circumstance of the psychiatric services and social services attached to Houselink—it requires certification from the lawyer who incorporated that corporation that the corporation's bylaws provide for the purchase of liability insurance to cover any liability the directors may have. A prudent grant giver will not depend on the faint chance that you can go through the common law of directors' liability but will ask for insurance.

Mrs Marland: And if the prudent grant giver or guarantor happens to be the Ontario government—

Mr Fenson: The example I gave isn't the Ontario government; I'm speaking of general housing corporations. The Ministry of Housing does, as a regular policy, require proof of certification by the lawyer of the bylaw requiring the purchase of commercial liability coverage.

Mrs Marland: But when something goes wrong—and unfortunately, we have today some very grave examples of some very grave situations that have gone wrong in public housing in the province, and we have a whole stream of others coming up behind the ones that have already been publicized—it is the government that has been the guarantor for the financial situation, that has actually handed over the money.

Everybody thinks it's safe because it's the government, and yet it isn't the government that actually elects those local board members or even appoints those local board members. Whatever the local group is that forms that housing coalition, co-op or corporation—the local sewing circle or whatever it is that decides it wants to be a housing corporation—it appoints its own board.

Mr Gary Wilson (Kingston and The Islands): The local sewing circle?

Mrs Marland: I'm being facetious, because I don't want to name—

Mr Gary Wilson: You don't have to be facetious here. Let's get serious.

The Vice-Chair: Mrs Marland still has the floor.

Mrs Marland: The interesting thing is that the first non-profit housing in Canada was the Peel Non-Profit Housing Corp. It still is the leader in Canada both in numbers of units it operates and how it operates. The reason for that is that it is responsible directly to the public, because the corporation board is elected and there's a direct route of accountability.

Part of the problem with how other non-profit boards—not all of them but the majority of other non-profit housing boards—are appointed is that they form and they are appointed within themselves. There's no

accountability to the public because there's no direct responsibility to the public, because they've got Big Brother government sitting up here saying to the banks: "Fine, go ahead and loan them the money. Let them operate without operating agreements, let them do whatever they want, because we, the government, are the guarantors."

There's no risk at all, when you've just written off \$29 million of public money in this housing field. There's obviously no risk to anyone except the people of Ontario, who are paying for these write-offs the Ministry of Housing has to execute because there is mismanagement, and in some cases fraud, on the part of the operators of the non-profit housing corporations.

I find it very interesting to hear about what is the liability and responsibility and how subjective that is in terms of who the board members are. Thank you for that explanation.

The Vice-Chair: The clerk has just distributed something to members and I see some looks of puzzlement.

Mr David Tilson (Dufferin-Peel): We're never puzzled, Madam Chair.

The Vice-Chair: Never puzzled? Somewhat confused, then. At our last steering committee there was a request for some assistance from the auditor. Because we had such a plethora of papers and documents before us, members were losing track of what had actually been answered to our satisfaction and what had not and remained outstanding. So the steering committee made the decision that the auditor would be asked if he could give us some assistance, just to summarize outstanding matters that had not been resolved to date.

Members are free to express any questions arising from these matters that they wish. I would clarify that these matters relate not only to Housing, as the document indicates, but also the Ministry of Health. On any outstanding matters by the time we complete our deliberations, we would probably be asking the Ministry of Housing and the Ministry of Health for a response in writing. Now, we'll continue with Mr Tilson.

0940

Mr Tilson: Mr Fenson, I'd like to clarify what you've been saying. Are you telling me that the standard of care for directors of non-profit corporations is less than for directors of corporations under the Business Corporations Act?

Mr Fenson: No, I'm saying it's less or more or the same, depending on an objective assessment of the experience of the director. Whereas the Business Corporations Act provides in the statute a standard of care that applies to all business corporation directors, the standard of care that applies to directors under the Corporations Act, which governs non-profits, is the common-law standard, which is essentially a standard which has reference to the personal experience and background—

Mr Tilson: My understanding is that the common law on liability for directors has been expanding over the years. The decisions that have been granted by the courts in Ontario have been extending that liability more and more, which is why corporations—

Mr Robert V. Callahan (Brampton South): Take out insurance.

Mr Tilson: Exactly. They take out insurance. That's exactly what they do. Not only that, the people who are in charge of the money are bonded.

Simply, anybody who acts as a director for any corporation, whether non-profit or otherwise, is absolutely crazy unless they take out liability insurance. You're trying to do a good thing for your community, but you may find—this is my understanding, and this issue is very important, because this question was a response to a presentation of the assistant deputy minister of Housing, Ms Hill. She said, on page 6 of her report, the community mental health branch "could not have required the directors of the corporation to repay the amount, as the directors of incorporated companies are immune from personal liability for the actions of the corporation."

The reason I asked the research people to give the presentation that you have is that this statement is correct sometimes, but it's not correct. In my assessment, directors of corporations, non-profit or otherwise, could be held liable in certain circumstances. Quite frankly, I wouldn't want to go on a board of directors and have someone say, "You're experienced" or "You're not experienced," "You're educated" or "You're not educated." I haven't seen any cases that talk in those terms. You're on the board of directors, and if you do something as a group that is negligent in handling millions of dollars for these types of corporations, in my assessment you could be held liable.

Mr Fenson: I have a short answer in three short parts.

The first one is that there have been very few cases in the courts dealing with liability of non-profit directors. Most of the law we have arises out of business corporation law, and what people say about non-profit corporations is by way of analogy to what the courts have said about business. That's the first thing.

The second thing is that, as I said, yes, there are areas in which directors can be liable, but they are usually areas which have been specifically provided for by statute as an exception to the general rule that the corporate veil protects all of those within.

The third thing is that I recently spoke to an insurance broker to find out what liability insurance costs. I wanted to see what the market assesses as the relative risks. What I was told was that for \$2 million in coverage for each member of the board—this was the standard in which he compared for me—the premium to cover the entire board for \$2 million each typically for a non-profit was \$1,000 a year, and for business corporations the range was from \$5,000 to \$750,000, with \$25,000 being typical.

Mr Callahan: That's cheaper than my car insurance.

Mr Fenson: It's cheaper than your car insurance. It's anecdotal information, but it's a ratio of 1 to 25. The fact of the matter is that in the real world the risks for directors of non-profits are relatively small.

Mr Tilson: Talking from my own personal experience in the country setting I have, which does have non-profit housing corporations, all those corporations that I know of do take out liability insurance. The reason they take

out liability insurance is because they can get dinged in the courts. That's why it's very important that this be made clear. I don't know whether you've had an opportunity to look at Ms Hill's report.

Ms Fenson: Yes, I did read the speaking notes.

Mr Tilson: It would seem to me—and I'd like you to comment on this—that this point on page 6 should be qualified, that she or the author of the report is correct but that there are certain situations in which directors of non-profit corporations could be held personally liable.

Mr Fenson: Yes. My account is oversimplified and hers is even more oversimplified.

Mrs Marland: On a point of order, Madam Chair: We've had material distributed this morning from Jessica Hill, and I think it's very important material, but it's totally illegible. I guess it was faxed. I'd like to request that if information is forwarded to the committee, it could be forwarded without being faxed.

The Vice-Chair: Perhaps it's just your copy, because mine is legible. We'll ensure that you get a legible copy.

Mrs Marland: You can read the December 1989 package?

The Vice-Chair: The one I have is May 26.

Mrs Marland: Are the latest financial statements we've got 1989 and 1990? Do we not have anything any more advanced than March 1989 and March 1990?

The Vice-Chair: You were referring to a different document than I was. My apologies. You're talking about the figures being indecipherable because they were faxed.

Mrs Marland: And the words.

The Vice-Chair: We can ask the Ministry of Health if they could provide us with a clearer copy. Unfortunately, I'm not sure how quickly we'll have that.

Mrs Marland: Are 1989 and 1990 the latest audited financial statements? Do we not have anything newer than four years old?

The Vice-Chair: This is all that has been submitted to the committee to date, but in the questioning you can ask if there is more recent information available.

Mr Gary Wilson: Madam Chair, on that point of order: I just want to make sure that what gets copied is what needs to be, because there's a lot that is legible. Could you specify exactly what it is you want from the Ministry of Health?

The Vice-Chair: There are three packages: one November 1, 1990; one June 1, 1994, which is I believe the one Mrs Marland is referring to, which contains the 1989 data; and then the third one is May 31, 1994. An extensive amount of photocopying is involved. I suggest the ministry provide one clear copy for each caucus.

Mr Gary Wilson: But that's my point. Most of it is clear, and there's only one that I found not to be clear.

The Vice-Chair: Mrs Marland has just clarified for the ministry which document she's having difficulty with. We'll ensure that we save as many trees as possible and that as little photocopying as possible is redone.

Mr Gary Wilson: I appreciate that.

Mr Callahan: Mr Tilson makes a very interesting point. If Ms Hill, who is the assistant deputy minister, thought there was absolutely no liability—that's the way I understand he reads it—on directors of non-profit corporations, I'd like to inquire of the deputy minister, when we get time, whether that was the understanding of all the people in the various ministries involved in this. If that was the case, where the devil they were getting the advice from? It means they wouldn't bother, it would seem to me, to even go after these people or investigate whether there was a way of recovering the money.

Mr Tilson: They said they weren't going to.

Mr Callahan: Yes, and if it weren't for Mr Tilson asking for the report from legislative counsel, maybe we still wouldn't know that. We'd still be living in the world of dreams that if non-profits don't turn over the money or don't give the surplus back and it disappears, too bad.

I find it incredible that a government that has access to legal advice probably better than IBM's is running around making statements that ludicrous. If that's what was said by the assistant deputy minister, I'd certainly like an answer from Ms Hill about who she got that information from and whether that was the current legal opinion of the day they were getting. If it was, they should damn well fire the lawyers who gave it to them.

The Vice-Chair: Mr Callahan, your question was to the ministry officials. Since we are trying to deal right now with legislative research, can we hold it until they come forward? You can ask it as the first question.

Mr Callahan: That will give them a chance to think about the answer.

Mr Gary Wilson: I really appreciated your report, Mr Fenson, clarifying some of the issues that are raised on boards of directors. It was interesting. The standard of care is what I take to be the responsibility they have to make sure they're paying attention to what they're doing. Is that what you mean by "standard of care"?

Mr Fenson: Yes.

Mr Gary Wilson: Could you clarify how it is different from what has happened to the private corporations?

Mr Fenson: It's simply that a business corporation director is bound by a standard of care which is set out in section 134. It says:

"(1) Every director and officer of a corporation in exercising his or her powers and discharging his or her duties shall,

"(a) act honestly and in good faith with a view to the best interests of the corporation; and

"(b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances."

That second part, "a reasonably prudent person," is one of the many formulas you'll find in English and American and Canadian law to set an objective standard. The common-law standard of care from which this was derived and modified and which still applies to non-business corporations does not include in that a little signal that the standard is objective. One way of stating it would be a standard of care that could be reasonably

expected from the director in question, given his or her knowledge and experience. That's the difference.

The duty of honesty and good faith with a view to the interests of the corporation is more or less the same, but the standard of care, diligence and skill is objective for business and is peculiar to the experience of the director in non-profits. That's the main difference.

Mr Gary Wilson: In researching this, what's your impression of the way directors approach their job? Could you determine any difference in either the private or non-profit, just where are they in what their jobs entail?

Mr Fenson: I really didn't research that or do a survey. The only thing I can tell you is that I have the impression—again, this is not a careful survey—that a lot of non-profits or organizations that assist non-profits in organizing themselves seem to be quite careful in trying to educate their boards of their duties, of the pitfalls, of their obligations to secrecy and confidentiality and care. For instance, the United Way of Peterborough did a fairly elaborate booklet on the subject, which seemed to be of a fairly high standard. Non-profits do have available help from certain organizations, umbrella organizations, which realize that they're dealing with people of varying experience and try to educate them.

That's not a full answer to your question.

Mr Gary Wilson: I know that's not the approach you took, but I find it reassuring. It's important to realize that the number of non-profits that are throughout the community, in a variety of activities, means we have to make sure the directors take their job seriously and know there are things they have to do, that they're responsible for, and that there is somewhere they can turn for training. I think this will accumulate so that, just as you say the business practice is based on legal opinion and that's how that was generated, that the objective standards were fashioned out of the court cases, we'll have the same kind of body of knowledge that we can apply in non-profits.

Mr Fenson: I think training is very important.

Mr Robert Frankford (Scarborough East): I think you said that the ministry or the transfer agency may demand liability in the constitution of the non-profit.

Mr Fenson: They will require the corporation to cover itself with commercially purchased liability insurance to cover any possible risk to which the directors might be exposed.

Mr Frankford: Then presumably in the accountability process the ministry would want to ensure that's being complied with. They might have to put that amount into the budget of what they're transferring.

Mr Fenson: The premiums are not very high because the number of claims that have been made against non-profit directors in the courts is very small; it's not a very common occurrence in the courts. Nevertheless, it seems to be common practice for government funders to require this liability insurance to be in place before they will sign the loan guarantee.

Mr Frankford: Your understanding is that this is standard practice with the Ministry of Housing?

Mr Fenson: Yes, so I was told. I checked with them, and apparently before any money or guarantee is passed

—first of all, they won't deal now with an association which isn't incorporated, and the bylaws of the corporation must include reference to insurance.

Mr Frankford: But you can't say there is a blanket policy of every conceivable ministry and transfer agency?

Mr Fenson: I only spoke to the Ministry of Housing to ask this question.

Mr Callahan: You indicated that you've not looked at the bylaws of the various non-profit corporations.

Mr Fenson: I haven't examined the bylaws of Houselink.

Mr Callahan: I'd like to ask the auditor whether in the course of an audit that would be a standard thing that would be done by an auditor: to determine whether there was some liability insurance from which to recover whatever was lost.

Mr Erik Peters: Normally, it's not a standard procedure. If any transaction comes to the notice of the auditor that raises that question as to who is responsible, then yes, the bylaws would be examined and the insurance coverage would be examined.

Mr Callahan: Have we ever examined the bylaws of Houselink to this point? So we don't know whether they have that insurance or not?

Mrs Marland: On a point of order, Madam Chair: I am now leaving this committee to go to the general government committee, which has a housing bill before it. I know that's not really a point of order, but Mr Perruzza likes to note my absences, so I thought I'd like to tell the committee where I'm going. If you need me that's where I'll be, in general government.

The Vice-Chair: Thank you for the courtesy in advising us, Mrs Marland. If we do need you urgently, we'll be sure to know where to find you.

Mr Callahan, have you completed your point?

Mr Callahan: I don't know whether anybody's asked that or not, and I think it's of some importance. If having this insurance in place is the usual thing to do, as I think I'm hearing legislative counsel say, if it was in place, why aren't we pursuing it? And if it wasn't in place, why wasn't it in place, if it was the common practice to take out this type of insurance?

I think that answers the entire question. If this government is out money, it's out money because there wasn't an established practice, if they didn't take out liability insurance. Or, if they took it out, we're chasing our tail here. Why are we wasting our time looking into this if there is an avenue from which we can recover the money? That's all I've got to say.

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Mr Peters: As probably the internal auditors did, and we do, we do examine the law under which particular corporations are acting, and in most of the non-profit very often there are legislative clauses in there which actually indemnify the director.

There are indemnification clauses which permit the directors to escape liability unless—as I believe those clauses are normally worded. Maybe the legal counsel can help us out on this. There is a difference between due

diligence and negligence. Most of these clauses provide for liability if there is outright negligence by a board member, but lack of due diligence is a different story.

Mr Fenson: There is a distinction. I'm not exactly—

Mr Callahan: Maybe what we should do is get a copy of a standard policy coverage so we know what it's covering, because what I'm hearing now is, if the person is negligent, they're covered; or the reverse. If they're negligent, they're covered. If they don't pursue it with due diligence and it's determined, because of their being a particular category of person, that they're not caught by the common-law thing, then there's no coverage at all. Is that what I'm hearing?

Mr Fenson: I'm not sure what heads are covered and what are not, but what I can do is try to get a copy of a representative policy.

Mr Callahan: Okay. Could I ask for two things, Madam Chair? First of all, that we determine whether or not Houselink had this type of insurance, we see a copy of their policy and we find out what efforts, if any, have been made, and whether it's worthwhile making any efforts to pursue recovery under those policies. If it is, well then, let's get started on it. It has been lingering long enough. I'd like to see those.

The Vice-Chair: I assume your request is actually being made of the ministry.

Mr Callahan: Mr Tilson also says, and this is very serious, that normally in insurance policies, if you don't sue within a year of the potentiality of the loss, you're out of court. If that's happened, we've really dropped the ball. That's why I want to see it.

Mr Tilson: No, we haven't dropped the ball, because we didn't know about it.

Mr Callahan: That's right.

Mr Tilson: We didn't know about it. This thing was 1990, 1991? We didn't know about it. That's the problem.

Mr Callahan: But if it has not been done, then somebody's dropped the ball and maybe we should be looking to them for recovery.

The Vice-Chair: I think we'll be continuing this conversation as we bring the ministry witnesses forward.

Mr Callahan: Can we get that information, though? I'd like that information before the ministry witnesses start, if we can get it, because I think it's germane to asking questions of the ministry witnesses as to why, why not, why didn't they and so on. I think it's very important and I'd like it on the record.

The Vice-Chair: Just before we bring the ministry witnesses forward, as members will recall, our mandate was such that, as set forward by a motion of the committee, we would be discussing Houselink and supportive housing issues until reporting to the House on June 9. I believe the government has an amendment to propose or an extension of that particular deadline. Mr Marchese?

Mr Rosario Marchese (Fort York): I move, Madam Chair, that we extend these meetings for one week.

The Vice-Chair: Is that satisfactory with members? Okay. Then let us proceed.

We ask the representatives from the Ministry of Housing and the Ministry of Health to come forward, please. I'd like to begin by thanking the ministry for again sending senior representatives to discuss this issue with the public accounts committee. We do have some additional people present today, so I would ask representatives from the Ministry of Housing and the Ministry of Health to identify themselves for the purpose of Hansard.

Mr Daniel Burns: My name is Daniel Burns and I'm the deputy in the Ministry of Housing. Here with me at the table, as he was last time, is Mr Trevor Studden, who is the manager of our central region office and has held that post for a number of years. Both of these agencies operate within the geography that he's responsible for. In addition, I have with me Mr Andy Glendenning, our director of audit, and Mr Brad Singh, who was the director of audit at the time these took place. They have spoken to you before.

I also have program and administrative staff from central region office with particular acquaintance with the history of our relationship with these organizations. They may join us at some later point. We're all available to help you in your deliberations.

Mr Callahan: I'm not sure who you are identifying.

Mr Burns: I'm identifying those Ministry of Housing officials: Mr Studden; Mr Glendenning, who was here before—stand up or wave, Andy—Mr Brad Singh, who was the director of audit at the time.

Mr Callahan: And the other three people who are with you?

The Vice-Chair: Mr Callahan, I think you're preempting, because the Ministry of Health officials are going to identify themselves. Ms Mottershead, would you like to do the honours?

Ms Margaret Mottershead: This side is the Ministry of Health side. My name is Margaret Mottershead. I'm the Deputy Minister of Health. With me are Dennis Helm, the acting director of community mental health programs, as well as Jane Cleve, who was the consultant for Houselink during the period in question. In the gallery as well we have some members I believe that you have already met, directors of audit and past directors of audit.

The Vice-Chair: Thank you very much. We'll now proceed to questions from members and we'll start with the official opposition. Mr Callahan and then Mr Cordiano.

Mr Callahan: I guess we'll start off by asking, did Houselink have liability insurance, as indicated by legislative counsel, that's normally taken out by non-profit agencies?

Mr Burns: Houselink certainly has liability insurance right at this moment. To answer the question of what insurance arrangements were in place in 1989 or 1990, my staff advise me they had it in place.

Mr Callahan: I see nodding. They did. Okay. Can we see copies of that coverage? Perhaps I can inquire of the people who know there was coverage there, was there a provision in that coverage that you had to bring a claim on it within one year, which is the normal provision for insurance contracts?

Mr Burns: I think we'd have to examine the document to give you an answer on that question.

Mr Callahan: In addition to that, Mr Burns, I understand from my colleague here that Ms Hill, in a document she delivered to us, made the following statement;

"The community mental health branch could not have required the directors of the corporation to repay the amount as directors of incorporated companies are immune from personal liability for the actions of the corporation."

I presume she wrote that as assistant deputy minister. Was that the belief of the ministry or is she just off on a frolic of her own?

Mr Burns: Mr Callahan, she's an official of the Ministry of Health and I think you might want to put that question to them.

Mr Callahan: Oh, sorry.

Ms Mottershead: Let me clarify what Ms Hill intended by that particular statement. It's a fact that directors of corporations are not liable as individuals for the acts done by the corporation. What she meant was that individually you couldn't go back and make a claim against their personal assets. If there was a claim to be made, it would have to be a claim against the corporation, which in fact has the liability coverage on behalf of all of its directors.

I think she was drawing the distinction that you can't go back to an individual and try to make a claim on their bank account or their personal assets versus the corporation. That I think is the intent of that statement.

Mr Callahan: Can you assure us that someone in the Ministry of Health looked at the liability policy that was in force, which we understand now is in force, and made a determination that under that policy there was no way moneys could be recovered through that liability policy?
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Ms Mottershead: I can't make a statement right at this moment whether in fact the ministry did look at the liability insurance that Houselink may have had at the time. I can only say that in terms of the ministry and the audits that were conducted, we felt very strongly that there was no basis for pursuing damages from the corporation, because, first, as it's been indicated already through previous sessions with the auditors, there was no basis for fraud or any of that kind of activity or, to our knowledge and understanding, was there negligence per se. There wasn't premeditated wrongdoing, intentional wrongdoing, by this organization.

Mr Callahan: Negligence doesn't require premeditation, as I'm sure legislative counsel will tell you. In fact, as has been explained to us this morning, the common-law duty is one of the reasonable person viewed subjectively.

I'd like you to undertake to find out whether there was any consideration of seeking reimbursement through these policies that were there to cover the situation. Particularly when the audits came back and demonstrated that there were difficulties, one would have thought that the first place one would have looked would have been at policy to see what it did cover. To your knowledge, were the

policies ever looked at? Can anyone help me with that?

Ms Mottershead: I can certainly ask the libraries if they had a look at that. But I will undertake to find out whether there was any attempt to look at—

Mr Callahan: And we'd like a copy of the policy so that we can have it examined by legislative counsel to determine what the range of coverage would be.

Ms Mottershead: Yes, we will undertake to get that for Houselink. We can do that.

Mr Callahan: Joe, do you have anything?

Mr Joseph Cordiano (Lawrence): My question is really centred on the approval of the expenditures after the fact. It was stated on several occasions that approval was granted after the fact because for these types of expenditures approval might have been granted if the request was made for those expenditures.

Could you go through those expenditures in detail for me and explain why approval would have been granted, because it's not clear in my mind, if that is the case, what guidelines were in place for the agency to understand that, to recognize that. That they were spending moneys in fact that would have been approved causes me to wonder why they would go ahead and spend those moneys without approval.

Ms Mottershead: Let me start off by saying that there's a category of expenditures that fall under the umbrella of compensation or benefits, and they include contributions towards RRSPs, merit pay and other benefits as one category. Had the organization identified those expenditures as part of an annual budget, they certainly would have been eligible expenses.

I think reasonable people understand that as part of a salary and a compensation arrangement between individuals and boards those things do happen and it's a matter of course and in some cases required by law. Certainly we have the Employment Standards Act, we have a pension act, but some organizations that are so small can't afford to participate in formal plans and therefore make other arrangements.

Mr Cordiano: What I really wanted you to do is break down the \$248,000 by category.

Ms Mottershead: With the amounts for each—

Mr Cordiano: Would you have that in the audit?

Ms Mottershead: Yes, we do.

Mr Cordiano: What I would like you to help me understand is why in the first instance the expenditure on each category basis would have been approved and why the agency felt that it shouldn't ask for that approval.

Ms Mottershead: The two categories that represent an amount of \$248,000 relate to RRSPs and merit pay. I can't at this point in time tell you what might have happened or might have gone on in the agency that hadn't flagged this as an expenditure. It might simply have been an oversight, but as far as the ministry's concerned, this is the kind of expenditure that is allowable, is eligible and ought to be funded.

We certainly have many other organizations that we fund this as a matter of practice and we did not feel, by allowing or not allowing this particular expenditure, that

in fact we would be penalizing them by not doing that. It was a legitimate expenditure.

Mr Cordiano: In the audit that I have for the period April 1, 1988, to March 31, 1990, the audit we're talking about with the \$248,000 unapproved expenditures, there are five items: RRSP, merit pay and excess salaries; then under that same heading there's a sabbatical leave of \$20,000; there's a landscaping contract for \$10,000; there's audit fees; then in section (5) misuse of ministry funds. These are all under the heading, according to the audit that was conducted, unapproved and unsubstantiated payments. That's what I'm talking about.

The \$248,000—it's not clear—this is RRSP, merit pay and excess salaries, so we're talking about excess salaries as well. I don't quite understand what that means, excess salaries. Is it excess salaries in terms of the number of hours that were worked, overtime pay? What does that allude to?

Ms Mottershead: I'll ask officials to clarify. My understanding was overtime.

Mr Dennis Helm: Excess salaries really accommodated a number of things: Overtime or even salary increases that were approved for staff but technically not given prior approval by the ministry. I think that was an oversight on the part of the program of not really understanding that prior approval was required before reallocating funds within a budget to increase salaries.

When we looked at the information and looked at the salary increases that were given, it was in line with the community standards from our point of view and we felt that they were an expense that would be allowed. Had we been asked in advance of the increases being given to the staff, we likely would have approved it because it was in keeping with the community standards for that kind of responsibility.

Mr Cordiano: What guidelines would have been in place for the management of the agency to understand and recognize that? There seems to be a lack of knowledgeability about what expenditures were in keeping within the guidelines and what were not. To the best of my knowledge, I don't see why they would have felt they were spending moneys that were unapproved if they had known this.

Mr Helm: There is a program manual that the branch has developed and it was developed back in the 1980s and shared with all the programs. That manual outlines the roles and responsibilities of each party in terms of getting prior approval for certain things.

Historically, there has been some confusion in terms of misunderstandings perhaps on the part of agencies as to technically what has to receive prior approval and what hasn't because over time some of the details within the manual have changed and we've communicated that, perhaps in a specific letter, and the manual itself had not been updated as a whole package, so that added to some of the misunderstanding.

When the issues were identified through the audit process, around bonuses and excess salaries for example, it was clarified with the program, and their policies have now changed in terms of coming to us for the prior

approval as required.

Mr Cordiano: I think I asked this question last time of the Ministry of Housing with respect to the projects that were audited: How many of those had operating agreements in place? I think the answer was less than half or just over half, something like that. I'm not quite sure if I did ask if this particular agency had an operating agreement in place at this time.

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Mr Burns: Houselink?

Mr Cordiano: Yes.

Mr Burns: I think we indicated in our earlier remarks that the projects they manage were funded under a number of different program frameworks. For the federal-provincial program, as I indicated, not just last time but last fall, there are operating agreements, and we do have them. For the ones done under provincial programs I've just been told that there are not operating agreements.

Mr Cordiano: Sorry, there are not operating agreements for what?

Mr Burns: For Houselink, what we call project operating agreements, which is the full agreement with the agency, with the exception of one part of our program.

As I indicated, because we talked about our operating agreement situation at length last year, both in the spring and the fall sessions of this committee, we are on a program of both developing and implementing full agreements, but without those it's not that we're operating without any agreement.

We have in place for both these organizations, and in fact for all the organizations we fund, some arrangements and exchanges of understandings and agreements that govern our relationships. We act in accordance with those and we can act under them to intervene, and we do that from time to time with agencies. While we don't have project operating agreements in this case, we do have arrangements with both of these organizations.

In deference to the committee, I actually have here a discussion of what other arrangements we have in place and how they apply to these two agencies. It would take me some time to walk through it. I came because Mr Tilson advised me, and I'm not surprised to know, that the committee wanted to talk about operating agreements this morning.

I'm prepared to talk about alternative arrangements we have in place and how they work. I'm also prepared to talk about where we stand in our general program of creating and implementing project-level operating agreements. However, that's not a two-minute answer. I would ask you and the committee whether you would like me to do that orally here or whether you would like a communication from us which covers the same terrain.

Mr Cordiano: For my part, I would rather have you come back and go through that in greater detail. Today, for the purposes of our discussion, the fact that there were a number of agreements in place at this time, each with its own set of guidelines, criteria etc, tells me that there's a degree of complication or complexity that perhaps led to the sorts of problems we're talking about today. In getting to the bottom of this, it appears as

though there wasn't, and there still isn't in many cases, the kind of framework for operating with clear and precise standards, guidelines, procedures etc.

Mr Burns: We do have, and have had all the way along, program guidelines and manuals which we use and which all of our agencies have and are aware of. There were certainly program administration guidelines in place at this period in time and we certainly have them today.

Mr Tilson: One of the issues we left off last week about which we asked the legislative research—and indeed your assistant, Ms Hill, indicated that she would be asking Health solicitors to provide a comment on this issue of liability. Does your ministry pretty well adopt what legislative research said about the liability of directors?

Ms Mottershead: We believe that it's a current practice, and as a matter of fact, in a partial response to Mr Cordiano's question, we have developed a memorandum of understanding over the last year which actually takes into account all of the components on the framework of accountability, and also the program requirements. Within that memorandum of understanding, we are now making it a requirement to look to see whether in fact non-profit organizations do have liability insurance, and that is a requirement now.

Mr Tilson: My question is not with respect to insurance; my question is whether or not the Ministry of Health adopts—and I suppose the Ministry of Housing, although we've never really asked the Ministry of Housing—what the legislative researcher, Mr Fenson, presented to us this morning on the topic of liability of directors of non-profit corporations.

He essentially disputed, with qualifications, the statement made by Ms Hill as to why this matter wasn't pursued. As you recall, in the report it simply says that directors are immune from liability. That statement is true, depending on how you look at it, but in some cases, some situations, those directors may be liable.

My simple question is—Mr Fenson is here and I'd like to end this issue; maybe the government members wish to pursue it further—from my perspective, I'd like to know whether you adopt and agree with what he said.

Ms Mottershead: I'm not sure that I fully understand what you mean by the word "adopt," because what we have is a common-law practice with respect to the relationship and the competency of directors of corporations to their boards.

We do have the Business Corporations Act that has a requirement in it, and so as a function of incorporation, I think it is incumbent on the board of directors to ensure that they actually do the test that is required, both through common law and through the corporations act as it relates to the recruitment of those directors.

When you ask, "Does the ministry adopt?" I'm not sure whether you're suggesting that the ministry review the competency level of each of the directors that is independently elected or appointed, or what the question is really.

Mr Tilson: Let me rephrase the question. Is it possible that directors of non-profit corporations, housing

or otherwise, could be held liable? That was the question that was left with Ms Hill.

Ms Mottershead: I'm not a lawyer, and I do have a member of our legal branch here. Ms Dale Roth is here, and maybe she can answer that specific question.

Ms Dale Roth: If I understand correctly, you're asking whether we adopt the analysis that we were given—

Mr Tilson: No, I'm going to even simplify it. Can directors of non-profit corporations, or corporations, be held liable for any actions that they do?

Ms Roth: Generally speaking, the law says that directors of non-profit corporations and profit corporations are not liable for the actions of the corporation. That's the general principle.

As Mr Fenson went on to explain, there are situations in which they may be found liable. He concluded, and I may not have it word for word, the short answer is that directors are not a useful target to go after. He made that statement after he analysed the law with respect to directors' liability.

For non-profit corporations, the standard of care expected of the directors of that corporation is a subjective test. You look at the individual experience that each director brings to the board, so that if a particular director doesn't have a great deal of experience, you would not expect the same standard of care from that director of a non-profit corporation that you would if that person were sitting on a business corporation.

Mr Tilson: There are two issues.

Ms Roth: Yes.

Mr Tilson: This is a question to you or a question to anyone, because it applies to non-profit corporations for housing that are dealing with millions of dollars. The first question is, is it possible that directors could be held liable?

In my assessment, from what you've said and what Mr Fenson has said, in some situations, rare or otherwise, the answer to that is yes, and it may well be that those directors should be made aware of the fact that the limit of their liability insurance, if indeed they have it and if indeed the ministries have pointed out to them that they should have liability insurance, that those non-profit corporations should have that, because there's a working relationship between the ministry generally, the Ministry of Housing as opposed to the Ministry of Health, that those policies be obtained, particularly if these people are volunteers who for the good of their community are trying to generally perform. They're not working for salary, that's for sure. They're trying to solve a social problem. So that's the first question.

My assessment from what you have said and Mr Fenson has said is that in some situations, directors could be held liable for their actions. The answer to that is yes.
1030

Ms Roth: Yes, if they fall below the standard of care required of them at common law, if they've breached their fiduciary duty, if they've put themselves in a conflict of interest. Fiduciary duty requires that they act

honestly, in good faith and with loyalty to the corporation. That's a duty owed to the corporation, not to the Ministry of Health; it's owed to the corporation.

If they have liability insurance, you would have to find that they acted negligently. To find that they acted negligently, you'd have to look at the standard of care required. Standard of care, common law, is a subjective test, so you're back to the same question. If there's a breach of that standard, you have to find resulting damage to the party claiming to be damaged—

Mr Tilson: I'm aware of that.

Ms Roth: —and you'd have to find that the ministry suffered a loss. If the ministry has said that it would approve the claims, then there would be no loss to the ministry.

Mr Tilson: I know we're looking at all kinds of ifs, and that's why the question was asked of course. The statement made by your assistant was that "The community mental health branch could not have required the directors of the corporation to repay the amount as directors of incorporated companies are immune from personal liability for the actions of the corporation."

That statement is what this whole report is based on, because that whole issue was not pursued because the Ministry of Health at least—the Ministry of Housing hasn't commented—was of the opinion that one could not go after directors. That is true to a point, but they could go after directors, depending on the situation.

Ms Roth: Sorry, you were asking me a question. What was it?

Mr Tilson: I'm saying that generally speaking, this statement is true, but it is possible in some situations—I suppose if there's been a loss for example—to go after the negligence of directors.

Ms Mottershead: Mr Tilson, can I answer that question? As part of the audit and that whole process that was undertaken over a period of time, the ministry really had no basis for determining negligence on the part of one or any of the directors.

What we have been discussing over the last period of time is the fact that there were some not pre-authorized expenditures which in fact we feel are eligible when you look at what the money was spent on. We don't feel that is ground for taking any kind of action against any one individual or the corporation, because we don't feel that was negligent behaviour or fraudulent behaviour or any other kind of behaviour that would warrant action along those lines.

Mr Tilson: To be fair, you didn't pursue the issue or your ministry didn't pursue the issue, because you were of the opinion that directors were immune from possible actions.

Ms Mottershead: That is I think stretching the ministry response and intent a little bit. What we had is the director of audit come up here on the first day of these deliberations and testify that there were no grounds. If there were grounds, then what the ministry would have done was pursue a number of initiatives. When there is no ground, you don't go on a fishing trip when you don't need to.

Mr Callahan: I'd like to follow that up, because in the report of Karim Amin, she says—

Mr Tilson: He.

Mr Callahan: He says. I'm sorry. I beg your pardon. It's always safer to err on the side of right, I guess.

Mr Tilson: Absolutely.

Mr Callahan: He says:

"We observed that the board had little control over Houselink's affairs, particularly the executive director, and lacked accountability for ministry funds.

"Of significance, the board chair and members were not fully aware of the major financial decisions taken by the executive director. Very few board meetings were held during the two-year audit period and minutes were not signed by the chair. Quarterly reports, annual program activity reports and year-end settlement forms were not prepared...and submitted to the ministry. The board did not have active committees such as finance and personnel to assist in the discharge of its duties."

Boy, if that's not negligence, then something's wrong. I mean, the whole definition of negligence is out the window. If the ministry wasn't negligent in terms of not picking that up before an audit was put out—because they didn't receive any reports. You were supposed to receive reports. Who was keeping an eye on this? My sense is, nobody, and I think the audit proved that. But I really find it difficult to see that this wouldn't trigger right in your mind and say, "Maybe there's a policy of insurance we can recover from," and take a look at the policy.

I'd like to ask your legal staff, was the question of the policy ever looked at and have you seen a policy for Houselink, a policy of liability insurance?

Ms Roth: I haven't seen a policy.

Mr Callahan: Has anybody on the legal staff of the Ministry of Health, as far as you know, looked at a policy of insurance for Houselink?

Ms Roth: I don't know if they have.

Mr Callahan: Before this day is over—and I've asked for it before, Madam Chair—I'd like to see that policy and I'd like to see it while we're still questioning these witnesses.

Mr Tilson: With respect, that's an issue that's still up in the air.

The other issue is with respect to comments that have been made by Mr Fenson. There seems to be a distinction between directors of non-profit corporations and directors under the Business Corporations Act; directors, their standard of care.

For example, there's a report that half the board members of Houselink were residents who had very little knowledge of finance and management. In fact, one of the accusations is that the executive director at the time had total control of the funds. Of course, accusations were made that she used the money from the general operating funds to pay for unapproved overseas travel, furniture, dinners, liquor, parking tickets and personal purchases. I'm reading from a newspaper report which in turn referred to the audit reports.

My question is to both the deputies. On the issue of directors and the issue of the financial experience of people sitting on the boards of directors of non-profit corporations, if these people have not had any specific experience, should not your ministers be more vigilant in providing more stringent auditing services to watch over the way in which the province's moneys are being spent before the problem has gotten out of control, as it has been? We haven't had any in the last couple of weeks, but there were a couple of weeks where every time I opened the newspaper, there was something about some co-op or some non-profit housing getting into trouble, all across this province. So there's certainly a problem, if part of the problem is because of inexperienced directors who perhaps do not have the training or the legal experience or the financial experience, because we're talking about millions of dollars.

My question is to both deputies. How do you plan to deal with this problem in the future?

Mr Burns: I think you've covered a fair amount of terrain, so I'm going to make a few remarks in response.

First, a community organization that proposes to participate in the non-profit and cooperative program in the first instance must make a convincing case to us that it is a capable organization. That includes looking at the membership and the directors of the organization that wishes to enter in the first instance.

Secondly, we do require each organization we have a relationship with to retain the services of an auditor and to have their finances audited and to make that audit available to us as part of their regular reporting.

Mr Tilson: That's assuming there's an operating agreement.

Mr Burns: No, no, we require it in every circumstance, whether we have a full operating agreement, as we described it before, or not.

1040

Mr Tilson: How is that enforced? What if they don't do what you're saying? You've given them the money, meanwhile.

Mr Burns: If an organization fails to meet program requirements, then we will intervene in some form. Sometimes an organization has simply become a little bit inattentive and it just needs some remedial work. In other cases, it requires something more serious—

Mr Tilson: But how are you going to do that?

Mr Burns: That's, in effect, a supplementary question and perhaps I'll return to it in a second.

First, we look at the competence of an organization. That obviously includes its membership, its history and the kind of spectrum of skills that it brings to our program in the first instance, and we require audits on an ongoing basis. In some cases, at the invitation of organizations, we have talked to boards about the kind of training that might be appropriate for the board to ensure that they understand our program.

We fund separately organizations that provide training opportunities to directors, either in the cooperative sector or in the non-profit sector. That training and those

materials are widely available in the sector now, and it's an ongoing need in a world this large. As we've indicated before, there are over 1,000 organizations that participate in this program and that means there are a lot of folks who need to ensure that they are acquainted with the program and its requirements on an ongoing basis.

In relation to your supplementary question, I said in response to a question from Mr Cordiano that I'm quite prepared to walk through all of the elements of our relationship with an organization, whether we have a project operating agreement or not, and to give you an update on where we stand on the development and implementation of project operating agreements, a subject that we discussed at some length in the fall. I can't do that in a one- or two-minute answer and, as I indicated to Mr Cordiano, I'd be quite happy to submit a written brief to you in a few days that covered all that terrain. But we do have a whole series of elements to our relationship with people beyond project agreements that define the relationship, that define the program and that indicate what we'll do if there's remedial action required.

Mr Tilson: That's one of the issues, of course, Madam Chair, that's been left up in the air from previous meetings. The Provincial Auditor has raised that issue with respect to the lack of operating agreements, and I assume that some time in the future this committee will come back and ask Mr Burns to reattend and deal with that issue, because that is certainly an issue—unless I haven't been present. Certainly the last time I was present at one of these—

Mr Burns: I'm prepared to do that. I should perhaps just indicate, Mr Tilson, that in the fall, in the report of this committee, you had within it our communication on our work plan in relation to operating agreements: that we had completed the construction of the co-op one and were implementing it and it is now almost completely executed; that we would be constructing the non-profit one now and it would be implemented this fall. We are still on that work plan in a general way.

I also indicated in a letter to the Chair of this committee some weeks ago that should you wish to look at our progress in relation to some or all of our work plans, we would be quite pleased to come and give you an update.

Mr Tilson: Thank you. The issue of—

The Vice-Chair: Mr Tilson, I apologize, but your time has expired. What I would propose, and I'll say this before we go to the government members for their 20-minute allocation, is that at the end of the government's time, we divide the remaining time between five after and 30 minutes after 11 evenly among the three caucuses for remaining questions and then we go in camera to discuss the writing of the report, since, as you are aware, the committee hearings have been extended by one week, which only allows us one week for any further work that we have to do. I just wanted to let you know that so members could think about directions that you would like to give to research and additional matters that we might have to cover.

Mr Tilson: Madam Chair, before you leave that, I guess the question that remains up in the air is whether the government members, who really imposed this time

allocation on us, would be interested in hearing from anyone from Houselink. We're saying a lot of things about Houselink, and to be fair to them, I'm sure that organization would like to come and tell its side of the story, and the same goes with the Supportive Housing Coalition of Metropolitan Toronto, which we really haven't spent a great deal of time on. I don't know whom I should be directing that question to, through you, Madam Chair, to Mr Marchese or whoever the whip is over there, as to whether they'd be prepared to extend that deadline.

The Vice-Chair: Perhaps that's something we could discuss at 11:30, whether we want to have part of our time next week for additional witnesses or whether we want to reserve the entire thing for report writing. But I think at this stage we'll continue with the government line of questioning for the next 20 minutes and then we'll give members of each caucus an opportunity for final questions. We have Mr Perruzza, Dr Frankford and Mr Marchese sharing the 20 minutes.

Mr Anthony Perruzza (Downsview): I haven't had a chance to go through the materials that were supplied by the Ministry of Health. They've been sitting on my desk here, and we just got those today, but I did have an opportunity to go through the materials that were supplied by the Ministry of Housing.

I have to tell you that as a result of going through these in a very intense way, my confidence in the process is somewhat shattered, if I can use the word "shattered," because it would seem to me that what these people had was a computer with a program and every once in a while they went in and they plugged in some numbers for requesting moneys from the ministry for certain things and then they would get a letter back from the ministry saying, "Well, okay, your cheque is going to be mailed to you under separate cover." We heard at the last meeting of this committee that nobody actually goes out to assess whether the work or the moneys that they're requesting is actually warranted. From what I can tell, there's very little in the way of checks in the system.

To the ministry people, as the gatekeepers of this system and of this money, my first question would be, where's the accountability? Where are the mechanisms that require and determine accountability?

Mr Burns: Again, you've covered some significant terrain, so let me make two or three remarks and then just see whether you would like us to follow up in a bit more depth on any particular of it.

I think if you asked operating cooperatives and non-profits whether their budget relationship with us was hands off or intrusive, the general response would be that we operate on the intrusive side and that it's excessive in relation to what an appropriate relationship would be.

What you're looking at, if my memory is correct, is the materials related to part of our relationship, which is looking at a proposed budget and responding to that. Around that dialogue is a series of documents that define program administration, norms and standards, that define areas of expenditure that are appropriate and all the things you would expect. Now, you don't have those, because my understanding of what you asked for and

what you got is the documents that relate to a particular part of our history of our relationship. That's the first point I'd like to make.

Secondly, the most intense time we have in terms of staff effort and working out of issues with an organization over its operating budget occurs in the first two cycles. Most—well, 99.9%—of non-profits or cooperatives open somewhere in the middle of our fiscal year, and they often open without every single piece of the capital phase of the project totally nailed down.

1050

The first thing we have to do with the organization is establish a first-year budget, and at the end of the process, for the second year, to revisit all of the fundamentals and look at what really is required, on a budget basis, to operate on a normal, ongoing basis. With those two things done and the intense conversation had, we really should be in a relatively stable situation where the patterns of expenditures are pretty close to the budget. For the financial statements there may be small variations which require discussion at year-end, but we don't have a situation in the normal course of events after years one and two where we have to have an extremely intense discussion every single year with every organization we have a financial relationship with.

To fully appreciate the kind of dialogue we have with any organization, or with this one, from your point of view you'd need to have some acquaintance with our program administration guidelines and documents and the kind of discussion we would have with any organization, or with this one in particular, in the first two budget cycles.

Mr Perruzza: I'm confused about that because I can tell you of one example of a group that's been in the mix for, I would say, about four years now, and your ministry and your staff have very little information as to the status of that particular group and who's still involved and who's not involved and who's quit and who hasn't quit and who's living out of the country and who's not living out of the country.

So when you come here and you say, "Jeez, every once in a while we call back and we touch base with these people," that's not in fact the case and, quite frankly, that undermines my confidence in the whole process even more. What's even more difficult to deal with is when you make contact with some of your ministry people and you call them and you expect calls back and you do that for a period of six weeks and you don't get any calls back. That further undermines my confidence in the entire process, because if a member of Parliament can't get a call back from your ministry staff, how do you expect the public and groups out there who are participating in this process to be treated in a positive way and for them to have confidence in the system?

Mr Burns: In relation to the first question, obviously we do not and cannot track the individual status of members of non-profit corporations, or even every single member who's a director, on an ongoing basis. One, it's a huge effort, and two, it's not central to the relationship that we have. We require the submission of budgets and of financial statements and of audited statements and

adherence to our program guidelines. That's the central part of our relationship, not whether they have seven or eight directors at any particular point in time or whether it's Joe or Fred.

The second question: Frankly, I'm a little astounded to hear what you said. I'm certainly not acquainted with the individual case, but it is not ministry policy or, to my knowledge, practice to not answer telephone inquiries.

Mr Perruzza: I can tell you that I put in phone calls, in fact, to Mr Studden for I believe a period of six weeks and I didn't get a call back.

Mr Burns: I don't know anything about the circumstances.

Mr Perruzza: I suspect that there are many other examples like that as well. Is that standard practice?

Mr Burns: Of course not.

Mr Perruzza: Is that how you build the confidence of the public and build the confidence within the system, that you require to be able to come before this committee and say, "Jeez, this is how things are going," and expect everybody to say, "Well, okay, fine; we're going to accept this because that's the way things are and that's the way things are working out well"? That doesn't do that for me.

Mr Burns: I think I answered that question just a minute ago.

The Vice-Chair: Mr Perruzza, you're free to use your time as you wish, but there are only 10 minutes left, and we have Dr Frankford and Mr Marchese.

Mr Perruzza: I'm going to pass that and then I'm going to come back after.

Mr Frankford: I don't know if anyone can help me out. I was trying to look in some of these documents to see if there was a line for the actual amount paid for directors' liability insurance.

Mr Burns: You were looking at the Houselink budget document for that particular item, whether it would be separately identified?

Mr Frankford: Yes.

Mr Burns: It would be part of the general insurance line. There is an insurance line in the budget. It wouldn't be separately identified.

Mr Frankford: I would appreciate if it could be separated out, because I think it raises a whole lot of questions around the liability of directors, relating to that.

Mr Burns: There was an earlier question about the state of their liability insurance, its character. There's no reason why we can't also ask for the actual amount that they paid to get the insurance.

Mr Frankford: Following up on Mr Callahan's comments about the way the board's meetings and so on have been conducted, it raised a question in me as to whether an insurer would regard that as being in place. It seems to raise some real questions about the conduct of the organization. I would find it surprising if a commercial insurer would just let anything go and accept it.

Mr Burns: The question enters a terrain in which I have no particular claim on any expertise. I don't have

any member of my legal staff here, so if it's appropriate, I'd just like to take that question and get it looked at by someone who does have that competence.

Mr Frankford: It seems to me we've been concentrating on what we understand around Houselink, but thinking more generally about non-profit organizations, there must be circumstances in which the organization could be hit for some substantial amount relating to negligence. I'm thinking of things like wrongful dismissal cases. Presumably, they would want to insure against that or the funding agency would hopefully want to make some provision to protect itself against that so that they just don't have to pick up the cost regardless.

Mr Burns: In our case, I'd just confirm the advice you got from your own staff support. We require the organizations we support to have in their bylaw number 1, their governing bylaw, provision for the acquisition of liability insurance.

Mr Frankford: As far as this insurance goes, are you the lead ministry on that or is this something which is divided between you and the Ministry of Health and any other agencies?

Mr Burns: When you asked the system question, just to go back to the whole world that we fund, we support over 1,000 cooperative and non-profit housing organizations, of which, as an order of magnitude, about 20% also are active in providing some level of service and get some funding support from Health or Comsoc or Correctional Services or from the local United Way or the local municipality or in some cases the federal government. In both situations—that is, if they're only providing housing services or if they have a situation where they're doing more than that—they must adhere to our guidelines in so far as they are a provider of housing.

Ms Mottershead: If I might add to that, as a matter of practice, what happens at the process of incorporation is that these organizations engage the services of a lawyer, the lawyer who helps them prepare for the actual process of incorporation, and that individual would advise on the requirements for both the incorporation, what are the legal steps to get there, as well as issues of liability insurance, what other government statutes cover that particular activity, and in fact discusses with them the objects and the full scope and mandate of services to be provided and helps those organizations then define the kind of magnitude or scope of coverage that would be required. So they do get that kind of help. The Ministry of Health certainly doesn't get involved in that and I'm sure other ministries don't. It is a requirement as part of the incorporation process.

1100

Mr Frankford: Would the Ministry of Health have guidelines for incorporating lawyers?

Ms Mottershead: We have guidelines and a requirement that they do acquire liability insurance, but because you have a range in terms of the scope and magnitude of operations and the nature of the business to be conducted in a particular organization or facility, we don't have guidelines that would dictate what the coverage ought to be. That is the obligation of the board, through its

counsel, to determine with its insurance brokers or its commercial agent.

Mr Frankford: Would the ministry routinely review the incorporation once it's been set up?

Ms Mottershead: Not really, no.

The Vice-Chair: Mr Burns, Dr Frankford has asked you for some information. You said you'd like to consult with your legal counsel for the full answer. Because our time lines are so tight, I wonder if you could provide that information by early next week, as well as the list of outstanding matters for you and the Ministry of Health. If you could provide that information as quickly as possible, it would be appreciated.

Mr Burns: There will be a consultation with my legal director a little later on today.

On the question of the memorandum that the Provincial Auditor prepared, with a list of questions that might be helpful to provide material on, some of them we covered in discussion and some we have not. We are certainly quite prepared to provide you with some written material on the issues that are raised that touch on our responsibilities.

Mr Tilson: Can the Ministry of Health give the same undertaking?

Ms Mottershead: Yes, we will.

The Vice-Chair: Thanks very much.

Mr Marchese: A number of committee members have touched on different words as they relate to these two agencies with respect to whether or not there was fraud, with respect to whether or not there was negligence or whether it was an oversight as related to unapproved or unsubstantiated matters. I think the ministry people in both ministries have come to the conclusion that it probably was an oversight that we're dealing with with respect to unapproved or unsubstantiated matters, and that it is in keeping with community standards, whatever decisions were made subsequently by the Ministry of Health.

The question for me then remains: What process do you use, have you used, will you use or are you now using to determine what due diligence of the board members is in order for you to be satisfied that the members adequately know what their responsibilities and obligations are so that you as a ministry and we as politicians of these ministries can feel comfortable that you have a process in place that we can be satisfied with?

Linked to that is a question that Mr Burns raised, and perhaps both deputies can touch on this. Mr Burns, you were saying you don't have an agreement in place, a memorandum; you have an understanding perhaps or an arrangement.

Mr Burns: No, no. We require their incorporations to meet certain standards. We require them to submit undertakings and execution of undertakings at various steps along the way. We require them to adhere to our program guidelines. We require them to mortgage their property in a way that doesn't allow them to make any interim changes to their financial arrangements. I've suggested a couple of times that there's a very long answer to what is in place.

Mr Marchese: I understand.

Mr Burns: What is not in place is what in the housing program world is called a project operating agreement for provincially initiated programs in the last number of years for non-profits. They're now in place for cooperatives, and we are now constructing that project-level agreement.

What we do have in place is not just an understanding or a dialogue or a training program; there is a set of documents that govern our relationship. Where we have found weaknesses, we have worked with the organization. As you well know, from this committee and from other things we've done, in some cases we ask for special audits to be done and we act on the conclusions of those.

Mr Callahan: If Mr Burns says it's a lengthy, detailed account he'd have to give us, perhaps he could undertake to give us that, if it's not too difficult, in writing, so the members of the committee would have that.

Mr Burns: I offered to make it part of our written material to you. I also indicated to both Mr Tilson and Mr Cordiano that on the collateral subject of how we're doing in improving program administration, I'm prepared to talk about it here at another time.

Mr Marchese: If that becomes available in the next short while, that would be fine. If not, we have indicated to the members that we would be interested in having some discussion with the ministry about what you've just said, so that there can be a much more considered discussion as opposed to summing up. If it's available, fine.

Have you commented on my question about how members can be liable if they do not exercise the proper degree of care, diligence and skill? Are there discussions with board members, not just with these two agencies now, but in general, about what constitutes the degree of care, diligence and skill, so that you can be protected, so that we as a government are protected, because we ultimately, given that we fund them, are liable?

Ms Mottershead: Do you want the Ministry of Health to attempt to answer that?

Mr Marchese: Yes, please.

Ms Mottershead: I'll start off by indicating that I have Instant Hansard here from your last meeting. Ms Hill has eloquently outlined all the measures we have in place in terms of increased accountability. I will not bore you by going through them again.

One of the essential elements in terms of the ministry exchange and the Ministry of Health's relationship with its agencies is to make sure, as part of the budget development process, that the people we talk to are in full understanding of what is required in the accountability context, which includes the role of directors.

We have been very active and aggressive in promoting the notion of continuous quality improvement, because times evolve, standards change from time to time, accountability requirements or questions come up and different areas of review are now and again contemplated.

It isn't a question of just developing a manual that actually outlines the requirements of board and senior staff members, but it's one of making sure that there is a

continuous evaluation. Certainly for the last couple of years, the ministry has undertaken a number of evaluation exercises with a number of the agencies, as well as an internal self-evaluation on ministry practices, to ensure that we are coming up to speed.

We do promote continuous quality improvement. There is an ongoing process there. It isn't just a question of paper. I think members have had a lot of discussion about the budget letter and the follow-up statement, but there's a lot of activity that goes on between those two things. That's the dialogue that none of us has in front of us in terms of the interface that happens on a very frequent basis with these agencies.

The Acting Chair (Mr Bruce Crozier): That limits the time, as I understand it, for that round. I understand also that it's been agreed that the remaining time through to 11:30 will be divided equally. We're at 11:09 and we'll go to 11:31, so the Liberals will have 11:09 to 11:16. Question, Mr Callahan?

Mr Callahan: Just a very quick one: I'd like to know whether or not we've got the copy of the insurance contract that we were promised. I'd like that before the committee is completed.

Also, I'd like to ask the committee if we can have Ms Hill back next week, not that I challenge what you are interpreting she meant by that statement, but I'd like to ask her, so she can tell us what that is, because it certainly appears to me to be a holus-bolus statement saying, "There's no liability on the part of directors; therefore, we won't pursue any possibilities through this insurance policy," I would assume. I'd like to see that before we leave.

The Acting Chair: It's been suggested that could either be raised later or through the subcommittee. I think that could be done.

Mr Callahan: No, I've got an undertaking from them to provide it and I want to see it. I think it's very germane to this entire topic. We're told that it's in place.

Mr Cordiano: We're not talking about that, Mr Callahan. We're talking about your request to have Ms Hill back, and we can deal with that after.

Mr Callahan: All right. Okay.

1110

Mr Cordiano: There are a number of questions that remain unanswered with regard to more details. We've been at this question for some time on this committee and with the Ministry of Housing, and I know that the deputy minister is endeavouring to do a number of things which would bring the non-profit program up to speed with regard to an accountability framework and getting good value-for-money-type operations.

I think the intention is there and I honestly believe we've been working diligently on this committee, with you, with your full cooperation, and I wish we could have the minister in here to get the same kind of willingness on her part as we've seen with the deputy minister.

I know you speak on behalf of the ministry and are the spokesperson for the entire ministry, but there are a number of things where we are looking back at what has happened and there are a lot of troubling things. There

are gaps and time periods between when audits were completed and the time action was undertaken to recover funds etc.

There are a number of other questions with regard to the way in which boards operate. The selection process for boards of directors: Who recommends the members of the boards of directors? Who authorizes them and who approves those appointments? There are a lot of remaining questions that we haven't resolved—

Mr Marchese: Why didn't you ask them before, Joe?

Mr Cordiano: Pardon me?

Mr Marchese: My question to you is, why didn't you ask them before when we had the opportunity?

Mr Cordiano: I did ask them. I asking about operating agreements. I was asking about the fact that there was a shortage, that there was a lack of accounting for a number of things. There were guidelines that were set in place that, depending on how programs were funded, they had different operating agreements; that was the answer I received.

At the end of the day, what we're talking about is putting in place new operating agreements, new guidelines. You're establishing frameworks for accountability that have to be meaningful, that have to include all of these things. If there isn't the kind of accountability with regard to the members of the boards of directors, we have to ascertain whether the people who are selected would be in conflict positions, and what assures us that they wouldn't be? Are there guidelines you're contemplating now for those boards of directors?

Furthermore, and this gets at the point I was making earlier with respect to senior management of these agencies, how are those managers or the chief executive officers of those agencies selected? What criteria are being used? Does it just happen that the board goes out and selects someone? Does the ministry have a say? At the end of the day, that chief executive officer is largely responsible for the functioning of that agency and that person has to have the skill level in order to carry out his or her duties.

We have to reassure ourselves that the people being selected are being selected on a basis of performance criteria that are established for all of these agencies anywhere in the province, and that the ministry be involved in setting out those criteria.

Interjection: You're going to get a brief answer.

Mr Cordiano: Questions are a function of time around here. I don't expect an answer. I'm just setting out what I think. You can't give me answer in two minutes to all those questions, so I'm trying to be realistic with respect to the directions we're headed in. I know the deputy will be delighted to come back, as he's often said, and give us greater detail in terms of what he's about to do and not with respect to past history.

But again, these audits point out repeatedly that there's a great need for putting greater detail into what we expect, into accountability frameworks that will actually mean something at the end of the day and that will allow us to measure performance so that when we have further meetings of the public accounts committee—

and hopefully we won't—around this question, we'll be able to ascertain very quickly whether performance, according to the accountability framework, was up to the standard we expect and that these agencies are operating within the guidelines that were set out for them. Otherwise, we're just going around in circles repeating the same things about the lack of performance measurement because we don't have the data, because we don't have the criteria, because we don't have a standard that everyone can be measured against equally. I think at the end of the day that's what we're seeking.

Mr Callahan: On a point of order, Mr Chair: I have to leave to speak in the House, but I've been given a memorandum from Knox Vicars McLean which does nothing more, in my view, than explain how you apply for the insurance.

Mr Tilson: Exactly.

Mr Callahan: What I want from them is the copy of the policy that tells us, because it refers to "a wrongful act" in this directive—

The Acting Chair: Mr Callahan, that's not specific to Houselink. That's just a general application.

Mr Callahan: Is this not what we're getting? So we are getting the regular document. Okay. That's all I want to know.

Mr Tilson: A question to Ms Mottershead: Are you aware or have you been informed when either Minister Lankin or Minister Grier received these audit reports?

Ms Mottershead: I'm certainly not aware that they have ever received these audit reports. The way the audit process functions is that it's a direct accountability to the deputy minister. In the ministry we have the audit program, the work plan, the annual plan for audits, and the audit findings are shared with the ministry audit committee, which is chaired by the deputy minister, and the deputy minister has to ensure that the audit findings and the recommendations are in fact pursued and implemented. The accountability, because this is essentially financial and administrative accountability, rests with the deputy.

Mr Tilson: These are serious issues. Millions of dollars are involved. Perhaps my question is more towards the Ministry of Housing on non-profit housing, but in matters that involve millions of dollars, I don't understand why that wouldn't have been drawn to their attention, particularly when this report, at least the draft report, was originally in 1990, I think, 1990, 1991?

Ms Mottershead: I'm not aware whether my predecessor discussed this audit report or findings with either of the ministers of the day.

Mr Tilson: Do you have any of your staff who would know here?

Ms Mottershead: We can certainly check.

Mr Tilson: There's a whole roomful of people here.

Mr Helm: We're not aware of any discussions.

Ms Mottershead: No, we're not aware of any discussions, apparently.

Mr Tilson: Mr Burns, on the issue of Mr Cooke or Minister Gigantes, when would they have been made

aware of this series of audits?

Mr Burns: Our audit practice in terms of reporting and follow-up is similar to the one the Deputy Minister of Health has just described for the Ministry of Health; that is, the reports come to me and it's up to me to ensure that there's a process in place to have the program staff analyse the conclusions and respond to them. In the normal course of events, there would be no passing of that material or briefing of a minister.

In the case of these documents, I'm not aware that in the Houselink case there was any discussion with the minister of the day, or this one, up until very recently, and in our case we were looking at \$200,000 and a little bit more than that in terms of a surplus identified in the financial statements, and analysing that in relation to our program guidelines is not a huge amount of money on the scale you were just describing.

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In the case of the Supportive Housing Coalition, because of the audit recommendation that while the organization focused on its internal practices, we should make a decision that it shouldn't apply for new development funding, or that if it did, the application should be set aside during the period it was focusing on the administrative practices, I did have a discussion with the minister about that, because the issuing of an allocation is a decision that requires ministerial review and execution. In that case, I did advise her of the fact that there was an audit and that it had made that recommendation and that we were acting on it.

Mr Tilson: When was that?

Mr Burns: At the time that I received the audit, whenever that was. I don't actually remember the time.

Mr Tilson: She wasn't the minister then, was she?

Mr Burns: In 1992? Yes, she was. At the time, the responsible field operations executive wrote to the organization confirming that.

Mr Tilson: These audits didn't appear to go beyond the confidential stage for a long time. They were never made public. I have a concern with that. I wonder if both deputies would comment on that.

Mr Burns: It's not been the practice in the Ministry of Housing, and as far as I know in any ministry, to regularly publish audit documents. They are documents that can be requested under a freedom of information request.

Mr Tilson: A request was made, Mr Burns, and was turned down.

Mr Burns: When that happens, they are scrutinized from the point of view of the tests that are in the act. It's an interesting question of general public administration whether audit plans and audit conclusions should be published on a regular basis, but as far as I know, it's not the practice of any provincial ministry to do that at the moment.

Mr Tilson: The draft report, the audit report on the Supportive Housing Coalition of Metropolitan Toronto included many statements that the final report omits. The reason, presumably, for many of these, is wording

changes, but in some cases figures were missing from the final draft. For example, on page 2—I'm talking of Supportive Housing—the fee structure negotiated with this firm allowed the Supportive Housing Coalition to retain 20% of unexpended organization expense funding allowed by the Ministry of Housing. The final report didn't point this out. Can you explain the omission?

Mr Burns: I'm not personally acquainted with the file in this way, but perhaps Mr Studden or one of our audit staff has a specific answer. If we don't, then we will put it in our written supplementary communication.

Mr Trevor Studden: I'm not sure of the translation from the draft copy of the audit to the final copy, but it was probably felt that the amounts that were provided there just followed program guidelines, so there was no need to include it in the final document.

Mr Tilson: Twenty per cent's a big amount.

The Acting Chair: Thank you. You have till 11:32.

Mr Marchese: I want to make a few points. Mr Peters has kindly submitted some questions that Mr Cordiano's been asking, and some of us as well.

Mr Burns: Mr Peters made them available to us.

Mr Marchese: Very well, good. In your writing of the report that you will do for us, I suppose you can use these as questions that can and should be addressed.

Mr Burns: This and a review of today's Hansard.

Mr Marchese: Wonderful. The other point I want to make is that in the course of trying to solve questions of fraud or negligence or oversight, we have on the other hand lost sight of the fact that these organizations have provided a tremendous need in the community. This is a statement I want to make for the record, because I might forget otherwise as I ask the next question.

Very few organizations in the 1970s, government included, were offering housing programs for persons with psychiatric, developmental or physical disability, seniors who over time become frail, AIDS victims and, more recently, persons with substance abuse problems, victims of family violence and children with special needs. These are the kinds of people these kinds of organizations have been working with for a long, long time. Without them, neither government nor the private sector was there to say, "Someone has to serve these people."

While I am interested in solving some structural and administrative and reporting weaknesses that might be there, I want for the record to say that I and many of us here have supported these organizations that have provided these needs. In the midst of all of this we forget, so for the record, I wanted to state that.

Mr Burns, I wanted to give you an opportunity, because you didn't have the chance earlier on, to satisfy me again that you are putting into place structures and processes that will satisfy us that you can deal with some of the questions that have been raised, particularly some of those areas of unapproved and unsubstantiated expenditures. That's what we're here to do: identifying weaknesses and solving them. Can you satisfy us that we're dealing with this and have dealt with them?

Mr Burns: On that part of it that has to do with

governance, I touched on some of the elements in response to Mr Tilson's inquiry. We look at the competence at the time they enter the program. We require them to have auditors. We require the organization to prepare a management plan and submit it to us. It must cover human resource policies, which was a question someone raised as well. That plan must be a plan of the organization. The directors themselves have to be part of that.

We've provided and continue to provide funding to organizations that provide training to both staff and directors. Some of that is tailored to organizations of the co-operative character because they have a somewhat different legislative base and operations, some is tailored to the municipal and private non-profits. We will continue that program.

Our regional offices themselves will provide counselling and advice, when organizations have questions or difficulties, on request, and for those cases where we see operating trouble developing, we will intervene.

On the question of financial administration, I've indicated a number of times we operate and continue to operate with a program guideline framework. It requires organizations not just to adhere to our budgeting and administrative practices but to retain an independent auditor, to have that auditor not only work but to submit that report, after they've dealt with it, to us so that we have it. We need it in order to give final sign-off on the financial statements, and they are of course required to look at the next year's budget.

Again, sometimes you have organizations that develop troubles that can be identified by their auditor or by our look at their budget situation. There are a number of different forms of intervention that we make to sort out problems, or in very difficult situations, to take stronger action.

I think we all know, and we talked about this the last time when we looked more generally at the social policy issues at stake, that successive governments in Canada and all the provinces have fostered the growth of a large number of relatively small community organizations to deliver services, preferring it to direct delivery by big government institutions and organizations. The broad issues of governance and training and accountability apply across that entire spectrum of small organizations that have grown up in this country, particularly in the 1970s and 1980s, in response to that large social policy change.

That challenge you've just identified goes well beyond what we need to do to ensure we have good housing program administration. It applies to a very large part of the way social and public services are delivered.

Mr Marchese: Ms Mottershead, do you have an additional or last comment you want to make with respect to all of this?

Ms Mottershead: Yes. There has been, and my colleague Dan Burns was alluding to it in his final comment, a lot of discussion today about the role and accountability of boards of directors and liability etc.

I just wanted to highlight what you all know, and that

is that there has been a tremendous tradition of voluntarism in Ontario and that these boards of directors on many, many of these agencies have an obligation to the particular agency, but also do this as a matter of their own personal commitment time and again, so that you see that many of them are of many organizations. It takes a lot of time, it takes a lot of effort, and I just want to acknowledge that although improvements can be made in terms of the relationship and some of the management accountabilities, we shouldn't underestimate the level of personal commitment that's gone there and the fact that these people are there by and large to serve and to make sure that the objects of their organizations are fully executed in the public interest.

Mr Marchese: I'd like to thank the deputies and their officials for coming.

Mr Gary Wilson: My colleague very eloquently stated what I wanted to make sure was there as well, that the types of housing now have to answer new situations in our communities across the province. I think the important thing is to make sure that these programs are working, and that where improvements are needed, they have to be done.

In thinking about this, it sprung to mind, especially in light of Mr Tilson's questioning, that it's almost as though he's looking for traditional forms of housing that have to be changed to meet differing circumstances, which as I say, Mr Marchese has so eloquently outlined.

It's a question of how we do that in an accountable way. I think we're all in the committee maybe wanting to ensure that provincial money is spent effectively and efficiently. We want to make sure the processes work that way. Certainly, the Ministry of Housing is adamant that it be done, and the Ministry of Health as well.

Mr Marchese: Mr Chair, on a process issue that is of interest to us, we're writing a report, obviously, in the next week; it's our intention. Can I ask of the deputy, when can we expect some responses to some of the questions that were raised?

Mr Burns: I was asked earlier to ensure that be made available at the earliest possible opportunity, which is what I will seek to achieve. We have scheduled a staff round table at noon today in order to assess what material had been asked for and what we should do next. I believe that at the end of that round table someone in our ministry will be able to contact the committee staff and give you an indication when we can make the material available. In order to be helpful, we might actually break it in two and do the things we can do quickly very quickly, so that you don't have to wait. We'll break it in three perhaps, too. By this afternoon, we will contact your staff.

Mr Marchese: Thank you.

The Acting Chair: On behalf of the committee, I'm sure I can thank you for your attendance here today.

It's the intention of the committee now, as I understand it, to go in camera for discussions as to how the balance of the committee time will be spent on report writing and directions to research etc.

The committee continued in closed session at 1133.

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**In attendance / présents*

Substitutions present / Membres remplaçants présents:

Wilson, Gary, (Kingston and The Islands/Kingston et Les Iles ND) for Mr Owens

Also taking part / Autres participants et participantes:

Ministry of Health:

Helm, Dennis, acting director, central region, mental health programs and services

Mottershead, Margaret, deputy minister

Roth, Dale, legal counsel

Ministry of Housing:

Burns, Daniel, deputy minister

Studden, Trevor, regional manager, central/metro Ontario region, field operations division

Peters, Erik, Provincial Auditor

Clerk / Greffier: Decker, Todd

Staff / Personnel:

Anderson, Anne, research officer, Legislative Research Service

Fenson, Avrum, research officer, Legislative Research Service

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Troisième session, 35^e législature

Official Report of Debates (Hansard)

Thursday 9 June 1994

Journal des débats (Hansard)

Jeudi 9 juin 1994

**Standing committee on
public accounts**

**Comité permanent des
comptes publics**

Housing audits

Vérifications du logement



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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 9 June 1994

Jeudi 9 juin 1994

The committee met at 0918 in room 151.

HOUSING AUDITS

The Vice-Chair (Ms Dianne Poole): Good morning. I'd like to open this session of the public accounts committee, as we continue to look at issues concerning Houselink Community Homes and the Supportive Housing Coalition. Today I welcome three witnesses before our committee. We are going to take them individually and in the order set out on the agenda. We'll have approximately 20 minutes for each witness. Committee members may not need the full 20 minutes for each witness, but we'll try to divide that time evenly.

LEA CARAGATA

The Vice-Chair: First I call Lea Caragata, former executive director, Houselink Community Homes. Ms Caragata, welcome. I understand that have a brief statement to open with.

Ms Lea Caragata: I am Lea Caragata, a much-maligned former executive director of Houselink Community Homes. I'd like to begin by thanking you for the opportunity to be here, after my repeated requests. I do appreciate the opportunity.

I was the executive director of Houselink Community Homes from 1979 until I left in 1990. I left voluntarily. My departure was unrelated to the matters before you. I was not happy with a board that was not very skilled or committed, and I guess I'd like to make the point that, in contrast to some of the allegations in the Ministry of Health audit, it was not the ex-psychiatric patient members of that board whom I refer to in that context.

I had been off on a six-month maternity leave. I had determined while I was on that leave that life as a parent was not very compatible with the 50- and 60-hour work-weeks that I'd been working while I was at Houselink and had advised the board before I left on maternity leave that I was likely to leave. So I got back and did just that.

If there's to be any humour in all of this, and quite frankly I haven't found very much so far, it's that I would somehow be accused of waste and vague allegations of personal gain. Any of you who might wish to do so would be welcome to look at my house. It's not stuffed with furniture somehow stolen from Houselink. It's never been professionally landscaped.

While I was at Houselink I drove two agendas, and I use the word "drove" advisedly. I was concerned with delivering the very best quality, no-excuse service to clients. Clients were to be served in ways which enhanced their dignity and self-respect rather than staff's. That was our very first operating premise. Secondly, we

didn't waste money. We did anything but waste money. The fact that we had a budget of X amount didn't mean, unlike almost every other organization funded by either the Ministry of Health or the Ministry of Housing, that we spent that much. It amazes me that aspersions can be cast on my conduct as a manager because I saved \$2.4 million in public money.

The "mismanagement," "ineptness," "waste," "gross misuse of public funds"—I'm quoting from statements made to the press—that I've been accused of really centre on a \$2.4-million surplus which Houselink had accrued. That money was a surplus. It was not in some private slush fund. It was not hidden from the government in any way. It was there. I have copies of audited financial statements for 1988 and 1989, if anybody wishes to see them, that we regularly submitted, as we were required to do, to the Ministry of Health. The funds were discussed on a regular basis, and I'm being hung to dry because the Ministry of Health didn't reclaim those dollars.

Those funds were there. They were there and they were reported on regularly. Those were saved dollars. Those weren't wasted dollars. They were there. Those funds arose because we consistently underspent our approved budgets from the Ministry of Health. I didn't waste or mismanage Houselink funds or misrepresent our financial situation to any funder, ever.

We did not follow the very common practice of making sure that we spent every dime of an approved budget whether we needed to or not. That is the practice of most funded agencies. I'd suggest, perhaps too daringly, that it's probably your own practices with respect to your legislative or constituency budgets. It's the practice of most government departments. All you'd have to do is look at fiscal year-end spending to see that that's when everybody spends every dime they've been allocated.

Houselink didn't do that. We spent what we needed to spend to run a good program. The rest we put aside in treasury bills, you name it—reasonable, safe things that are investments approved for non-profit corporations operating with public funds. The money was not wasted, the money was not in any way hidden from view, and we certainly were not running a wasteful program.

As the auditors have stated to this committee, the Ministry of Health audit was driven by a number of anonymous telephone callers. The callers made numerous allegations about my deriving personal gain. I believe one of the auditors who has come before you has actually advised you that people were suggesting that I was stealing Houselink property, that they had to do title searches of Houselink's houses. I don't know how many

of you have ever bought a house, but do you think your lawyer wouldn't kind of notice if you decided to switch at the last moment the name that you're registering it in?

So the audits were driven by anonymous telephone calls. In fact, at one point during the Health audit, the auditor told me that he recognized the voice of a former employee and told me about the allegations that were being made. He also indicated that he hadn't found evidence to support those allegations. I think there's every evidence confirmed in the people you've heard from so far to support that.

Mrs Margaret Marland (Mississauga South): I'm sorry to interrupt you. You said they were driven by what? You dropped your voice.

Ms Caragata: Anonymous telephone calls.

Mrs Marland: Okay.

Ms Caragata: Numerous anonymous telephone calls.

I left Houselink's employ in 1990, as I described. I had never received a copy of this audit. Yesterday, in trying to get a copy of the draft audit, I was told that it was a confidential document and that I was not entitled to receive it.

All of this has happened without very much regard for Houselink's real reputation, for its reputation as an innovative deliverer of services to people nobody else wanted to serve—to chronic ex-psychiatric patients, to people who were homeless—and doing that in a highly cost-effective way.

We built housing for them, we used existing units where we could get them: houses, apartments, whatever, in non-profit co-ops, in Cityhome units, in market rentals. In a very innovative way, we had clients pay the rent directly to the landlord so that they had control of the units, so that these weren't your kind of standard group homes where, as soon as people get a little bit of stability, they're forced to move out. We were in the business of developing long-term supportive housing for a client group that nobody else wanted to serve. I think we did that in a highly effective way.

That kind of highly effective way was not a style that wasted any public money. I suggest that you might compare, should you be so interested, Houselink's cost per client with that of any other similar organization the Ministry of Health funds. Our costs per client were very low.

When I left in 1990, we were supporting in the order of over 200 people with 17 full-time staff. You compare that to standard group homes, where you're supporting 10 people with eight or 10 full-time staff. This was a highly cost-effective organization. This was not some organization that was spending big, where the staff approved whatever salaries they might desire to approve for themselves. This audit and this process have been fuelled by some anonymous telephone calls that got taken seriously by an auditor.

We were not a bureaucratic organization. We tripled in size between 1986 and 1990. I certainly admit that elaborate accounting systems were not our first priority. We did record, however, all our expenditures and our revenues received in appropriate ways. We did, however,

do things like using our personal credit cards to pay for Houselink expenses.

It was efficient. We would submit a credit card receipt to Houselink and be reimbursed. This does not make the expenses purchased in that way, however, inappropriate, nor should it suggest that they were personal expenditures or that we then somehow made off with the property purchased that way. This was not a large organization. We didn't use purchase orders, perhaps incorrectly, inappropriately, but we weren't doing that because we were concentrating our energy in other and, I would suggest, highly cost-effective ways.

The Health draft audit, which has been the subject of the press reports and comments in the Legislature, quite inappropriately suggests that expenses that were receipted in the way I have described—the use of personal credit cards—may have been made for my personal gain. There's no evidence to support that. In every case where the Health auditor wanted verification of an item purchased, the item was produced and demonstrated to be in Houselink's possession in exactly the same way that we'd reported it to be. There was never any suggestion during those audits that we had made off with Houselink property or that I had received some kind of improper personal gain.

I received my salary which, at the time of my departure, was about \$50,000 a year, a quite appropriate, usual salary for an organization of this type.

I'd like to comment on some of the specific issues raised in the audit. There has been much made of a trip that I made to the International Congress on Social Welfare in Berlin. I prepared a written submission to Houselink's executive, requesting authorization for that trip. That conference expense was never approved by the Minister of Health; it was approved by Houselink.

We had never been asked, nor had we ever sought, to get approval for attending a conference from our funder. We received in our approved budget a line for travel and conference staff training. Like any other organization that gets an approved budget like that, we spent within that line. We did not go back to the funder for each specific expenditure within that line. I don't think that was ever expected. It certainly had never been suggested to us that we were acting improperly in not doing that.

The travel that has this air of being extremely inappropriate was a trip to a legitimate conference, quite related to the work that we were doing. It was, I'd just add, the first and only overseas travel I made during my tenure at Houselink and it was not at the end of a long list of conferences which were some sort of boondoggles at public expense. In my dozen years there, I probably attended half a dozen conferences out of Metro Toronto. So this was a big thing; it was a big approval. It was why there was a written submission to the Houselink board and it was approved by the Houselink executive.

0930

The audit points to the lack of a plane ticket. I don't know what your receipting practices are, but I now work for a very large corporation. When we attend a conference or are away on business, we're required to provide

an invoice; we're not required to provide a plane ticket. At the time this auditor came in two years later and was saying, "Where's the plane ticket?" I don't know how many of you keep those little coupons on your plane ticket two years later, but it was not the practice—

Mrs Marland: We have to.

Mr Gary Wilson (Kingston and The Islands): For two years?

Ms Caragata: For two years. There was a receipt.

Mrs Marland: We have to submit them.

Mr Gary Wilson: For two years; that's what she's saying.

Ms Caragata: There was a receipt.

The Vice-Chair: Just a point of clarification: Do you mean there was a receipt from the airline?

Ms Caragata: A receipt from the travel agent.

The Vice-Chair: For what you had paid.

Ms Caragata: Yes, exactly, but there was no plane ticket.

In fact, just to give you an example of that trip, which is really an illustration of how we tried to operate, I didn't fly to Berlin for that conference; I flew to Amsterdam because it was a cheap flight, and then I took a second-class train to Berlin. Then while I was in Berlin, I stayed at a cheap hotel, not your standard, Americanized \$100-a-night hotel next door to the conference.

That was the way Houselink operated. We didn't spend big. This wasn't an organization that was filled with elaborate expenditures to make the staff feel good about their jobs. This was an organization that operated in a highly cost-effective way. We used scrap paper. We demanded that staff use the most cost-effective ways of getting places. We demanded that people be as cost-effective in every expenditure as they possibly could.

We were constantly after getting donations. Most of the good quality—if you've seen any Houselink buildings, you could have evidence of this—built into those buildings was built in as a result of getting donations that augmented the public funds used to build those buildings.

On the item of excess salaries, or what is described as excess salaries, the Houselink board of directors, which did meet monthly, approved all staff salaries. They were adjusted periodically only after extensive surveying of similar organizations. As I've mentioned, my salary was about \$50,000 a year when I left.

We never had individual salaries approved by the Ministry of Health, nor were we ever told by the Ministry of Health that we should. We got a salary and benefits line and it was our responsibility to spend within that line. I don't believe we ever exceeded that. I don't believe we ever exceeded the total approved budget of the Ministry of Health in the dozen years that I was there.

Houselink was an independent, non-profit organization, with multiple funding sources. Our board was well within its purview to set salaries, and that's what it did. It also was well within its purview to decide that it could pay reasonable, small amounts into staff RRSPs, in lieu of a pension plan, and that's what it did.

It did not go to the Ministry of Health, however, to say, "May we pay these funds into staff RRSPs?" We'd never had any indication from the Ministry of Health that we should do that. Our understanding was that our contract with the Ministry of Health was around delivering the agreed-to services in return for a certain level of funding. It was our understanding that we were to spend that funding according to the categories broken out in that approved budget.

If our spending on our salaries and benefits category was within that, not in excess of that, then we made those decisions and we made them without going back to the Ministry of Health to say, "We'd now like to put \$1,000 a year into staff RRSPs in lieu of a pension plan." It never would have dawned on us to ask them that. We had been funded by this organization for 11 years and never once had we asked them those kinds of questions and never once had we got an indication that those were the kinds of directions they wanted to be giving us.

The items that have been described as excess salaries were properly approved by the Houselink board. Salaries were properly set by the Houselink board. This was not my kind of personal fiefdom where I got to decide what I wanted to get paid. Everything was properly approved by the board and our expenditures in all of our areas were within budget.

The Houselink board, like most other organizations, decided the nature of remuneration to staff, and it did that very judiciously. It really did it with significant testing of what was appropriate given the organization's size and staff responsibilities.

Just to comment very quickly on a couple of the other items that are in the audit. Furniture and landscaping: There are numerous comments and comments made in the press about George's Antiques. We were in the housing business, if I might remind you. We housed in the order of over 200 people. Many of those people had not had very much experience in having stable accommodation, and to be, I guess, frank about it, they often didn't take very good care of their possessions. We were in the constant business of replacing furniture in their units. What we would contribute to each person was a bed and a dresser in their bedroom and the basic furniture in the household. We would often have to replace those beds and dressers.

George's Antiques, although nicely named, was a used furniture dealer. He used to do a flea market in Waterdown, and at the end of the flea market, once every couple of months, he'd come in with dressers and we would look at them and buy them. We would often buy 20 at a time because they were good-quality wood dressers that we could buy for about \$100 apiece, and that's George's Antiques. I paid for it with my credit card, but there was never a suggestion that those dressers weren't there—and they weren't for me. They were just a legitimate business expense. That's the kind of business we were in.

Similarly, landscaping: We were developing new projects. I can't remember the specific site that the landscaping was for, but that year we had been completing our Channon Court project; we'd been completing another

project at Harbord Mews. A landscaping expense is not inappropriate. Maybe it's inappropriate that we paid for it the way we did, that maybe using a personal credit card isn't what we should have done, but that's, then, the extent of what we shouldn't have done.

Stained glass: There's been a lot of attention paid to stained glass. We bought three run-down Parkdale boarding homes, which had been a nightmare for the Ministry of Health and were putting, I think, at substantial risk 50 ex-psychiatric patients who lived in them. When we bought them, the people who had owned those buildings obviously thought that they could take all the stained glass out and that, being a little non-profit organization, we'd go ahead and close and who would really care, because, after all, just ex-patients were going to live in those buildings anyway. On closing, we demanded of our lawyer that the stained glass be recovered before we would close, because we were aware that it was a public asset and we weren't just prepared to turn around and say, "Forget it."

We finally had delivered to our offices probably in the order of 20 pieces of unframed stained glass. I don't know if any of you have any familiarity with stained glass, but it only stays together, especially 150-year-old stained glass, if it's in a frame. We put it behind somebody's desk and it sat there for about six months until it started to fall apart. I don't know what you would do, and maybe we did the wrong thing, but we didn't want it to fall apart.

We didn't know what the hell to do with it. It cost too much to put it back in the buildings. We weren't going to start designing custom-sized windows in the new building to fit this stained glass, so we had it framed. We had it framed as cheaply as possible. I think the total cost was \$2,400. This was not done to give us beautiful offices while clients got nothing. This was done because we had this asset. We were aware of the fact that we had to take care of it. We did it in the most cost-effective way we could. I don't know what else we should have done.

Similarly, there have been all kinds of references to the purchase of used furniture. It seems odd that on one hand we spent too big, but then, on the other, in audits there are a couple of mentions of, you know, they only spent \$5 on a dresser. I don't, then, know what's wrong with getting a bargain, and we used to try to do that. We used to go to Goodwill and we used to negotiate, and if we could get a dresser for \$5, as far as we were concerned, if it was a decent-quality dresser that could be painted or fixed up, that was a good deal, and that's the way we operated. So, I don't know. Those things are juxtaposed as if to suggest somehow that we spent big on ourselves and poor clients only got \$5 dressers.

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I can no longer invite you because I'm not a current Houselink official, but I'm sure it might be possible for you to go and look at Houselink's buildings. I don't know what state they're in now, four and a half years after I left, but when I left, I'd like to assure you that they were decently furnished—decently—but they were not elaborately furnished. They were basically furnished.

But we did that by getting the best quality deals that we could get anywhere.

In summary, I'd like to thank you for the opportunity to appear before you. In spite of these audits, I remain proud of the work that I did at Houselink. The organization was a leader and an innovator, and far from being accused of mismanagement and waste, there are numerous Houselink annual meetings where I was commended by the board for my judicious spending and careful use of public funds. I guess I'm here before you today with my reputation having been slandered and that of the organization having been damaged, and I would contend that that's as a result of a zealous auditor being convinced of mismanagement by a deliberately provocative series of anonymous telephone calls.

I also think that it all comes about because of some fundamental misunderstandings between the practices of the community mental health branch and the practices of Health's auditors, because I really genuinely don't believe that the Health auditors knew what the standard practices were in the organizations funded by the community mental health branch. I won't and can't comment on which practices were correct. I can only tell you that we had been funded by the Ministry of Health for 11 years and there had never been any suggestion that the way in which we spent those dollars, the way in which we saved those dollars, had been inappropriate, that the kinds of approvals we asked for had been inappropriate.

I would just like to remind you that there was a \$2-million surplus, and a \$2-million surplus doesn't come from wasting public funds. That \$2-million surplus was reported. It was reported annually to the Ministry of Health. I can't tell you why they didn't come to reclaim it sooner. I can tell you that we probably would have argued with them about whether it was all theirs, but it was there. It was not secreted away. We were making no pretence or allegation that somehow it was ours and not theirs or that it was somehow for our personal benefit. It was not. It was public money and it was there and so identified in every annual audited financial statement produced by Houselink's auditors and submitted to the Ministry of Health.

I'd also like to leave you with a little bit of a query about why this has captured so much press time. Somebody gave the Star's Jack Lakey a draft document, which he has never sincerely sought my input on, or that of current Houselink officials. I'd suggest to you that these issues cross partisan political lines, for your deliberations. It was a Liberal government that supported Houselink's growth, an NDP government that's allegedly covered up Houselink's mismanagement, and it was a Tory government for years that first funded the Houselink organization and with which the spending approval patterns were first established. This issue has been turned into a political one, and I guess—

Mrs Marland: A point of order, Madam Chair.

Mr Larry O'Connor (Durham-York): Let her finish.

Mrs Marland: I do have a point of order.

The Vice-Chair: What's your point of order?

Mrs Marland: I'm just wondering how long the deputant is going to speak.

The Vice-Chair: She's stated this is her closing statement. Continue, Ms Caragata.

Ms Caragata: Thank you.

This issue has been turned into a political issue, and I guess I would ask you, appeal to you, to consider it, even briefly, from my vantage point, where it's about my work and my reputation and about other people's hard work over a lot of years. The comments of this one audit, driven by anonymous telephone callers, don't square in any way with the reputation of this organization over a 12-year period, don't square with the documented reports and correspondence from all of its provincial funders over that period of time, and don't square with the opinions of Houselink held by senior Health and Housing officials with whom I worked over that extended period of time.

I'd be happy to answer any of your questions.

The Vice-Chair: Thank you, Ms Caragata. I realize that at the opening I had suggested 20 minutes per witness and that Ms Caragata has taken the full 20 minutes for her comments, but in fairness to Ms Caragata, she's had an extensive number of topics which she has had to cover in explanation. So I would propose that we have five minutes per caucus for questions.

Mrs Marland: Oh, well. Can I just—

The Vice-Chair: If you want less, I'm at the will of the committee. Do you want one question per caucus?

Mrs Marland: No.

Mr David Tilson (Dufferin-Peel): We might as well go.

Mr Joseph Cordiano (Lawrence): Point of order.

The Vice-Chair: Mr Cordiano, point of order.

Mrs Marland: Excuse me, you asked and I was willing to answer your question.

There's nothing on the agenda about how long anybody was going to be taking part, so I simply want to say that it would be absurd to limit any caucus to five minutes on such an important issue with such an important deputant. I hope that we can have some cooperation that we can ask questions for as long as we like, as long as the time is equally—we keep going around in maybe 10-minute segments until we're finished. Why restrict it?

The Vice-Chair: Mrs Marland, perhaps you're not aware, but there was a decision by the committee last week that because this is the last full day we have to explore this issue, we would only go in public hearings until 10:30 and then we would be convening in camera at 10:30 for directions and the report-writing.

I had made the suggestion at the beginning that the time be divided evenly, 20 minutes per witness, and I'm trying to accommodate all three witnesses. I am at the will of the committee. You can spend all the time with this particular witness or you can divide the time however you wish to do so.

Mrs Marland: If I had known that, I would have moved a motion that we limit the witness. The point is, when we originally agreed to investigate Houselink as a committee, we also agreed that when we reached this date

of June 9, if we needed more time as a committee to complete that responsibility, we would look then at discussing the subject matter the following weeks.

Mr Robert V. Callahan (Brampton South): Point of order, Madam Chair: I understand what you've said, that the committee decided this, but I have to ask the rhetorical question: What's more important, the examination of this witness or the preparation of the report?

The Vice-Chair: I am at the will of the committee. If the committee wishes to extend the time for public hearings to take part of our report-writing time, I am happy to do that.

Mr Callahan: Let's see if we've got unanimous consent to do that.

Mr Rosario Marchese (Fort York): Madam Chair, can I recommend that rather than debating as we are, we give each caucus five minutes for questions to the individual and see how it goes from there?

Mr Cordiano: Madam Chair, I think there was no real set agreement the last time we spoke on this. It was an effort that we would make to have an in camera session to write a report, but we all noted the ridiculousness of the time that was remaining and we also agreed, if I would say—

Mr Marchese: You're not going to get agreement if you're going to continue to debate the way you are.

Mr Cordiano: Then let's not have agreement.

Mr Marchese: There was agreement that we would listen to these deputants for an hour and 15 minutes. We had that understanding here between us.

Mr Cordiano: It was not an iron-clad understanding.

Mr Marchese: We're wasting time debating this when we could be asking the deputant questions.

Mr Callahan: Was that the subcommittee that made that decision?

The Vice-Chair: Mr Cordiano, Mr Marchese, this is not an appropriate way for the committee to conduct itself.

Mr Cordiano: Why don't we have a recess?

The Vice-Chair: I was not here at the end of the session last week, but I have been advised by the clerk that there was an agreement by all three caucuses that we would deal in public hearing until 10:30 and then go in camera.

Mrs Marland: That is totally absurd. Mr Tilson is not aware of that agreement and unless it was unanimous, it doesn't stand.

The Vice-Chair: Mrs Marland, instead of—

Mrs Marland: We have a responsibility to the taxpayers in this province and we'd better fulfil it. The report-writing has to be done only when we have completed the investigation.

The Vice-Chair: Mrs Marland, let us try to deal with this in a constructive manner instead of wasting committee time debating among ourselves. Do you wish to extend the public hearings this morning until 11:30 or 12?

Mrs Marland: No, I don't want a time limit. I want

to extend the public hearings until we can achieve the extraction of answers and information that are important to the report that we have an obligation to prepare.

Mr O'Connor: In other words, an orderly rotation. That sounds fair, Madam Chair. I think we should start an orderly rotation and have some questions.

Mr Callahan: Let's have a time limit on the caucuses, so the Conservative caucus doesn't use all the time, or the Liberals or the NDP. It should be equally divided, but I think we should go until 12 on this issue.

The Vice-Chair: Okay, as long as committee members are aware that we are supposed to report next Thursday in the House on this issue.

Mrs Marland: We can do an interim report.

Mr Cordiano: That was by a motion of the committee. We can also change that.

The Vice-Chair: But we have not had any motion of the committee to change it.

If we have consensus, then, we will begin orderly rotations, 10 minutes, with the Liberal caucus. Mr Crozier, I think you indicated you had a question, and also Mr Cordiano.

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Mr Bruce Crozier (Essex South): I'll defer to Mr Cordiano.

Mr Cordiano: I'll leave some time for my colleagues. They certainly have questions to ask.

Let me just start off by saying that we've heard a number of things from all sorts of sources. One of the things I'd like to immediately focus on is the question of the surplus, because at the end of the day what we're really talking about is something that the ministry claims was unsubstantiated or unapproved in terms of that surplus. What you're telling me is that the ministry had audited statements that indicated clearly that you had a surplus accumulated in certain bank accounts and that those bank accounts were in the name of the ministry.

Ms Caragata: No, they were in the name of Houselink Community Homes.

Mr Cordiano: The auditors suggest in their draft report that—

Ms Caragata: Mr Cordiano, if I might, I don't actually have the draft report.

Mr Cordiano: I'm sorry. In one of the reports—it may have been a draft at the time—it states clearly—

Mr Callahan: Maybe the witness can be given a copy, in fairness.

Ms Caragata: I would appreciate that very much.

Mr Cordiano: Sure. Do we have an extra copy? The auditors suggest that these bank accounts were in the name of the ministry, as you will see when you're given that report. I don't know what that means, but I would imagine that you set up an account in the ministry's name; this is what they're saying.

Ms Caragata: We wouldn't have any authority to set up an account in the name of the Ministry of Health, nor would we have done that. The funds that we reported regularly—and I'm happy to leave with the committee

copies of Houselink's audited financial statements for 1988 and 1989—clearly show the surplus. They were in accounts in the name of Houselink Community Homes.

Mr Cordiano: Let's set that aside for a moment. What you're suggesting is that the ministry knew all along about the surplus funds. Was there correspondence to this effect or any type of communication other than in audited statements?

Ms Caragata: Yes. We would submit to them a copy of our audited statement, obviously, with a copy of our annual report. In every year—I can't speak for the summer of 1990 because, as I had said, I was on maternity leave at the end of the fiscal year there, March 31, 1990, but in 1989 and in 1988 and in all previous years we would go through a routine reconciliation with the ministry over surplus funds and over the disposition of our approved budget. There were occasional years where they just didn't do that, but in every year we submitted to them a copy of the audited financial statement.

I don't think they could genuinely claim, nor have I actually heard them claim, that they didn't know that surplus was there. Clearly the audit branch, when it went in to do the audit, didn't know the surplus was there.

Mr Cordiano: I just don't understand why then the auditors and the ministry would react the way they did after seemingly having discovered that there's this excess amount of funds in the name of the agency in a bank account, if that would be the case. I've tried to imagine what it would be like, using ourselves as an example, although that would be impossible to do, where we would accumulate a surplus. You mentioned constituency budgets. That would be next to impossible for us to do, but if any other organization were to do that, I think people would be screaming over the fact that surplus funds were being accumulated in an account. You are clearly stating that these funds were accounted for and that the ministry had full knowledge of the existence of these funds.

Ms Caragata: Yes, I'm saying that without any equivocation. We submitted an annual audited financial statement to the Ministry of Health every year.

Mr Cordiano: There's the question of hiring of staff, funding approval for 25 staff members and in reality you only had 18.

Ms Caragata: It's part of the reason that there was a surplus. We received approvals, especially as we began to expand and develop non-profit housing projects. We would go to the Ministry of Health for approval for a certain number of additional staff to operate those. In many of those cases we were in a situation where we'd say to the ministry—and I know this is a difficult shift for you to make, having no reason to believe that this is an organization that was concerned with not wasting public money, but it was. So we would always go to the Ministry of Health and say: "Look, for an initial six-month period of time when we open this project, we'll probably need four or five staff. We expect that once that project is operational, once people have moved in and settled down, we can cut back to two or three staff," and we would do that.

Mr Cordiano: You see, what's amazing about all this

is that the ministry would have us believe the total opposite, that the auditors completely suggest in their report that these were unapproved expenditures that they had no knowledge of.

Ms Caragata: Which ones?

Mr Cordiano: Any of these expenditures we're talking about and any of the expenditures that are questionable. Just as I've cited the example that I've given you now, we can go on and talk about a number of other things. Your own personal card expenditures, for example. The auditors—

Ms Caragata: Credit card, you mean?

Mr Cordiano: Credit card expenditures. The auditors point out that there were no substantiated receipts for those expenditures. You've pointed out the example of an airline ticket. There are a number of other things which the auditors point to and suggest that there are no substantiated receipts; that there are sums, that there are credit card receipts, but there is no documentation that backs up those expenditures explaining what they were for. It goes on to talk about a number of other things like your trip to Berlin, and again unsubstantiated receipts, the airline ticket being the main point of that.

These are the questions that the auditors put in their report, that you would authorize expenditures for yourself, sign for those expenditures and not get board approval. You've suggested in your comments earlier that board approval was given for everything that you undertook as the executive director.

Ms Caragata: Can I answer that specific point? That's an important one and it isn't anything that I've touched on. Our board would approve salaries, it would approve any benefit moneys and it would approve those in-board minutes, so it wasn't like I could decide that I needed an extra little salary cheque and I could write myself one. That was most emphatically not the case.

Mr Cordiano: That's not what they're talking about.

Ms Caragata: The board approved our expenditures. I did, however, have signing authority for this organization on cheques up to \$2,000. But you know, it wasn't like I could just sign any cheque that I wanted. We had a chartered accountant, who was the treasurer of the board, who would review the books, the expenditures of the organization. We submitted quarterly financial statements to that board, so it wasn't even as if I could kind of then, in between board meetings or something, do whatever I wanted and spend any funds that I wanted and not have anyone notice that. This was an organization with an accountant—not a chartered accountant, but an accountant—on staff who kept our financial records, and with a board, the treasurer of which was a chartered accountant.

Mr Cordiano: But there are suggestions that the board, for example, was not aware of the surplus funds that were accumulating in those bank accounts and that they didn't have the full—

Ms Caragata: You see, I can't answer that, Mr Cordiano, because I don't know which board members the auditor talked to.

Mr Cordiano: We're talking about the board in

general, and it's startling to members and anyone in the public that a board would not be aware of over \$2 million in a surplus account. That's pretty difficult to understand and accept.

Ms Caragata: I find that extremely hard to believe too. I don't know what else I can say about that. I don't know if any of you have ever either been on the board or in a staff position in a small non-profit organization, but it is an extremely difficult job to keep a volunteer board involved and current with what's going on in a complex organization.

Mr Cordiano: Sure, but I think at the end of the day, looking at this, an objective observer would say you were acting entirely on your own, in isolation of the board, in isolation of checks and balances. Even if those expenditures were accounted for after the fact, as has been suggested repeatedly, and perhaps there's no question about that, the fact of the matter is that as an executive director, your actions seem to suggest that you were acting without those checks and balances that many people have referred to as being missing, sorely missing, and that the procedures that needed to be followed weren't there.

Even in the absence of guidelines from the ministry, the checks and balances seemingly weren't there and it gave people the impression or the perception that perhaps someone was operating entirely on their own, in isolation of board approval, and questions would be raised after the fact.

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Ms Caragata: You put a lot into one question. It's difficult to answer it, other than in general to say that we did have a board, which met, which approved expenditures. The treasurer of the board was a chartered accountant. The staff prepared and submitted quarterly financial statements to that board. The person responsible for the accounting at Houselink was an accountant with significant experience. This was not an organization where I was sort of the only staff and got to operate in an unchecked fashion.

Mr Cordiano: Do we have any more time?

The Vice-Chair: No, Mr Cordiano. It's now the Conservative time.

I would just ask our witness a question: I think you signified to the clerk when you were invited to attend today that you had a problem with the timing and that you had to leave the committee early. What time can you give us this morning?

Ms Caragata: Obviously, I requested the opportunity to be here, so I'm not going to run out. I do have work commitments, but is 10:30 reasonable?

Mr O'Connor: That will allow the rotation to continue.

Mrs Marland: I can't believe this, that a deputant would ask to be here and then say, "I've got to leave."

Mr Marchese: She just said the contrary.

The Vice-Chair: Mrs Marland, in fairness to the witness, she has been requesting for four weeks to appear before our committee and our committee did not meet

and give her an answer until a few days ago. So I don't think that's a fair comment to the witness, and she has rearranged her schedule to try to accommodate. Would you continue with your questions.

Mrs Marland: I'm glad everybody's made a conclusion in this matter. I would like to deal with a very important—

Mr Callahan: Just a second. On a point of privilege: I reject that comment.

Mrs Marland: You may do whatever you wish.

Mr Callahan: You say you're glad that everybody's made a decision. That may be your conclusion, Mrs Marland, but I haven't made any decision at all.

Mrs Marland: Good.

Mr Callahan: I ask the Chair to have her take that back. That's clearly inappropriate.

The Vice-Chair: Mrs Marland, as you are aware, under the standing orders it is inappropriate for a member to imply motivation or intent. I would suggest you just rethink that statement and continue.

Mrs Marland: I'd like to continue.

Mr Callahan: I'd like you to withdraw it.

Mr Gary Wilson: Down to eight minutes now, Margaret.

Mrs Marland: I think there's a lot of gamesmanship going on, which is unfortunate, and if a decision has been made in somebody's mind about what the deputant is telling us this morning, that's up to them.

What I would like to ask you—

Mr Callahan: On a point of privilege again.

Mrs Marland: All right, I'll withdraw it. If that's your game—

Mr Callahan: You're the one with the game that's gamesmanship.

Mrs Marland: If that's your game, Mr Callahan, that's your choice. It's not mine.

Mr Callahan: Like politics.

Mrs Marland: I think it's very important to understand how information is available to the public. One of the ways information is available to the public, whether we like it or not, whether you like it or not or whether we like it or not as politicians, is through the media. There certainly are circumstances where I am the last person to defend the media, but I think it's very important to ask you a question based on what you said about Jack Lakey in the Star.

You said that he had written a tremendous amount about you and had maligned you and yet he had never spoken to you. I would like to ask you directly: Are you not aware of the fact that Mr Lakey of the Toronto Star phoned you every day for three weeks, even went to your house and spoke to your husband?

Ms Caragata: Mrs Marland, nothing gives me greater pleasure than to answer that, because it gives me an opportunity to put that on the public record.

Jack Lakey called me on, I believe it was a Tuesday afternoon, about a week before this first Toronto Star story appeared, which was I think April 20. He made that

call to me. He left a message on my voice mail at work. I got home, retrieved my messages after a meeting at about 5:30 or 6 o'clock and returned his call. I had absolutely no reason to expect that the Toronto Star would be calling me. I returned his call. I assumed it had something to do with my work. I left a message for him. I think that call was made to him at 6 o'clock that evening.

The next day, I go to work, and late in the afternoon, my boss summons me in to tell me that he's just received a call from Mr Lakey advising him—not asking to speak to me, not anything like that—but advising my boss that I have been implicated in embezzling funds, making a number of fairly damaging allegations about me to my boss and demanding that my boss instruct me, order me, to return Jack Lakey's call, because I obviously was not intending to do so, evidenced by the fact that I would return Jack Lakey's call after 6 pm when God knows no one is at work.

Mrs Marland: Are you aware of the fact that he went to your home and spoke to your husband?

Ms Caragata: If I may just continue to answer that question, the next day, when I had decided after that that I was not going to call somebody back who was calling me with a gun at my head, he then, as he had promised to do to my immediate boss, called the commissioner of community services at Metro to advise the commissioner of all of these same allegations and once again ordered this person to order me to call him back.

Mrs Marland: So your answer is that you did not—

Ms Caragata: After that, I consulted a lawyer who advised me not to call Jack Lakey back.

Mrs Marland: What you said earlier was that Mr Lakey had not attempted to reach you—

Ms Caragata: I said that Mr Lakey had not attempted to reach me in a responsible way, I think.

Mrs Marland: Excuse me, if you could wait until I ask you the question, I'd appreciate it. You said earlier that Mr Lakey had not attempted to reach you. What you are saying now is that he did call you, you did return his call after 6 o'clock and that you received advice not to contact Mr Lakey. So the reason that Mr Lakey for three weeks did not have an opportunity to speak to you was because you had advice not to return his call.

Ms Caragata: If I might answer that, Mrs Marland, as I mentioned, I did not say to this committee that Jack Lakey had not called me. I said that he made no responsible attempt to reach me and—

Mrs Marland: Excuse me, what's a responsible—

Ms Caragata: He did have a libel notice, the Star did have a libel notice, from McCarthy Tétrault on the Friday, I believe, after that first story appeared, explaining to him that I would not be responding to his continued—

Mrs Marland: What you're saying fortunately is on Hansard, so if I'm wrong in what I've said, it will be recorded on Hansard as to what you did say.

I think what is important to deal with here is the fact that your testimony—although you don't come before a committee under oath per se, I'm sure that your lawyer

has advised you about the significance of your testimony to this committee on this particular matter of Houselink and all the accusations that are out there, all the facts that are out there, by a legally conducted audit. So I think while you talk about being the victim of numerous anonymous phone calls, it's my understanding of course, having had the ministry staff before us who did the audit, that an audit isn't done by anonymous phone calls.

What I would like to ask you is how is it that you could have been given approval for three years by the ministry to hire 25 people, yet you only hired 18 for each of those three years, that you were given approval to hire 25 and the ministry didn't know that you were only hiring 18. You said earlier that you only spent the budget for salaries that you were allowed, but you were given a budget based on your request to hire 25 people.

Ms Caragata: I guess, Mrs Marland, I would suggest to you that the ministry did know. I guess the Ministry of Health is obviously a big place, so I think we have to get a little bit more specific about who in the Ministry of Health. We have regular contact—

Mrs Marland: But why did you only hire 18 when you asked for 25?

Ms Caragata: As I've indicated, we would tell the ministry regularly, which we did, that we would need extra staff during the startup period of a project, and that we would then cut those staff back once a project was operational—ongoing in a stable way. We did that repeatedly over a number of years. The ministry would then derive the saving from that, because they'd get those funds back.

You know, over the years, the Ministry of Health did reclaim significant funds from Houselink. It isn't as if they never noticed us until there was \$2.4 million. Obviously, you have received your information from auditors, and the audit branch isn't who we were in regular contact with.

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Mrs Marland: But do you think that a non-profit housing organization like Houselink is allowed to operate under the direction only of the executive director? You said it's very hard to keep a board informed, and actually you are quoted about criticizing the makeup of your board. You've said this morning, quite interestingly enough, that your board was difficult. You said you weren't happy with the board. You said this morning they were an unskilled board. So that gave you full licence to do whatever you wanted to do. You said it would be hard to keep them informed.

Why did you think you had the ability or the authorization to operate as an individual and not report to a board? If you want your board to know how you're operating, why wouldn't you just have regular meetings of the board and seek approval of the board so that when you're faced with an audit like this, with all this criticism, you could have been in a position frankly to say, "Well, my board approved everything I did"?

Ms Caragata: Mrs Marland, that is exactly what I would say and that's exactly what I would say to you now. The board—

Mrs Marland: But you just said a few minutes ago that the board wasn't informed.

Mr Marchese: Let her finish, Margaret. Let her answer the question.

Ms Caragata: The board of Houselink Community Homes approved our expenditures. They set an annual operating budget. They approved the budget that we would send in request to the Ministry of Health. They received quarterly financial statements prepared by the staff. They would meet with Houselink's independent auditor when that person came in to do the audit.

I did say that I had on many occasions, especially in that probably two years after we'd had a very stable, very involved president, that I had difficulties with a board that wasn't always as skilled and as on top of things as I would have wished. But this was a board that did meet regularly.

Mrs Marland: How much did your trip to Germany cost?

Ms Caragata: It was four and a half years ago. I'm sure all of the figures are in the audit.

Mrs Marland: I'm asking you how much your—

Ms Caragata: I'm sorry, I can't possibly remember.

Mrs Marland: You don't have any idea?

Ms Caragata: I don't have any—

Mrs Marland: Did your trip to Germany cost \$2,000, \$4,000? You must have some idea.

Ms Caragata: I would guess in the order of \$2,000 or less. I honestly don't know, but certainly nothing like \$4,000.

Mrs Marland: Did Houselink pay for your companion to go, Ms Sears?

Ms Caragata: Ms Sears was a staff of Houselink Community Homes and she also attended that conference in Berlin, yes.

Mrs Marland: So would her trip to Germany have cost the same as yours?

Ms Caragata: I genuinely don't know the answer to that question.

Mrs Marland: Could you tell us—

The Vice-Chair: Mrs Marland, actually your time expired about a minute and a half, two minutes ago. We'll move on to the government caucus.

Mr Marchese: I just have a few questions and then I would leave a few moments for Mr Callahan who obviously had a question that he wanted to ask.

Can you describe, Mrs Caragata, the kind of discussions that went on between you and the auditor? Did the auditor simply come in, audited, and that is the basis of the report, or did he ask you plenty of questions as they relate to a number of the items that have been described in his report?

Ms Caragata: I believe, and this is a four-year-old recollection—the audit had begun while I was on maternity leave, so by the time I came back from maternity leave, this audit had been under way. I did have numerous conversations with the auditor. He did ask me questions.

As I've indicated, he also did tell me at one point in

time that this audit was being driven—he was getting anonymous telephone calls. In fact, at one point in time he claimed to me that his life was being disturbed because he was getting those telephone calls in the evening, at night, at home, and he found it disruptive. He also at one point in time told me that he had identified the voice of a former employee of Houselink as one of the people making these telephone calls.

When I left Houselink, I had every reason to believe that the audit that would be produced was quite unlike the draft that I understand was produced. As I mentioned, I don't have this draft. It's being denied to me—I can get it under FIPPA—even though the whole world has it. So I left Houselink before the audit was complete and before I had any real sense of what this was going to amount to in this long run.

Mr Marchese: So there was no detailed discussion with the auditor about the list that he prepared—

Ms Caragata: Oh, no. He asked me for a plane ticket. He asked that as if somehow to suggest that I hadn't actually gone to Berlin. I guess I want to be careful here, because an auditor comes into an organization they don't know and they're getting telephone calls that say that somebody's stealing Houselink properties. Well, I don't know. If I was an auditor, I guess I'd come in with a different kind of view than if I just came in, so I don't really want to cast aspersions on this auditor. I don't know what that would feel like.

Clearly, he didn't think, I think, that I'd gone to Berlin, to this conference, so he wanted a plane ticket as verification of that. We found him conference proceedings. We did everything we could to satisfy him that the trip was legitimate, that we had gone appropriately and that it had been approved by the Houselink executive. I had submitted a written proposal to them. So there were discussions with him.

Mr Marchese: How much of the auditor's report was done while you were away during your maternity leave? Is that what happened?

Ms Caragata: Some of it had been done while I was away, and then I assume that the writing of the report was done after I had left.

Mr Marchese: Just as a last question, based on this kind of experience that we've had and the kinds of questions you're getting, what would you have done differently had you been the executive director now?

Ms Caragata: I don't know. It's a good question, Mr Marchese. Believe me, I've thought a lot about it. Obviously, we were not a bureaucratic organization. It was not our first line of business to make sure that every i was dotted. I had been there 11 years. Many of the staff had started when we were quite young—to give us that excuse—and we had built up an organization.

When I started, our annual budget from the Ministry of Health was \$39,000 a year. We had four staff in one room. We were a small organization. We grew rapidly. We didn't establish elaborate systems of accounting. We had the basics. I don't want to give you a suggestion that it was a shoebox, but we were not highly bureaucratic. I think the effect of that was to save \$2.4 million of public

money and get me into all this trouble.

Mr Marchese: Thank you.

The Vice-Chair: Before we go to Mr Callahan, Mr O'Connor has a question.

Mr O'Connor: Yes, a short question. There's been some discussion raised by one of my colleagues here that the board was totally dysfunctional. I didn't read that from what you had said. I take from what you had said that, like many volunteer boards, there are times when members will come and go and you have someone new coming on and not everybody is up to speed on all the happenings at the board. Sometimes, because they're volunteers, it's hard to keep them all up to date.

Was the board totally dysfunctional? Was there no rapport between you? Can you give me a description of how the board was operating at the time you were there?

Ms Caragata: Sure. You're right; like a lot of volunteer boards, there were ebbs and flows. We had five years, I believe, of an extremely stable president who'd been a lawyer—who is a lawyer with the province, in fact—and she had been an extremely good, involved president. That ended. We had somebody who became president, I think for a year, who was a business person, not very interested in the affairs of the organization. Not to assign motive to somebody, but I think he was interested in it from the perspective of his career development rather than really intrinsically interested in the issues that Houselink was facing.

So we were in a kind of transition time, I guess I would say, with respect to a board that wasn't always as active, as involved as I would have liked, but we still had the basics. We had a president. We had a treasurer who was a chartered accountant. It wasn't a dysfunctional board in any way. I certainly don't mean to suggest that.

Mr O'Connor: There was no lack of accountability. Did you feel you had somebody you were reporting to—

Ms Caragata: Absolutely. There have been some things said about having tenants on the board, and I think some aspersions cast on their ability to be good board members. But one of the things about tenants on the board does mean that you're running into your board members every day in everything you do. So those people were an effective source of keeping the board informed of what was happening.

Mr O'Connor: I don't have a problem with consumers on the board. I'll pass it on.

1020

The Vice-Chair: Mr Callahan. We have about three minutes per caucus.

Mr Callahan: You've partially answered one of my questions. You had a president who was a lawyer at one time. Did you have legal advice for this board throughout? If you did, was this legal adviser not telling you that under the Corporations Act you had certain responsibilities for conducting meetings and approving things at an annual meeting if it was a major expenditure?

Ms Caragata: We absolutely followed the requirements of the Corporations Act. We had an annual meeting every year. Expenditures were properly approved by

the board in terms of major expenditures. Yes, we were aware of that.

Mr Callahan: Were the board members made aware of the fact that you had this surplus?

Ms Caragata: Of course. Yes, we had—

Mr Callahan: Okay, that's fine. "Yes" will do. I want to get on to one and I haven't got much time.

Sabbatical leave: This is a non-profit corporation. You're aware that at the windup of that, all of the assets go back, I guess it would be to the public trustee. How could you approve sabbaticals? How could you approve RSP pensions? I've never heard of that happening in a non-profit corporation. Maybe I'm wrong but—

Ms Caragata: I think actually somebody from the Ministry of Health could speak to this far better than I. But as I understand it, among many small non-profit organizations, contributions to staff RRSPs are a relatively acceptable or quite acceptable way of paying pensions, because there's no pension plan, you see.

Mr Callahan: How about sabbaticals? I've never heard of this—

Ms Caragata: You know what the sabbatical provision was? It was a big debate. And speaking of board accountability, when that item was approved in Houselink's approved personnel policies, it was a huge board debate. There was considerable contention around whether or not staff should be allocated sabbaticals. We got tremendous information from every other organization in the world that had sabbaticals, so ours was modelled on a quite modest version of those.

Mr Callahan: Non-profit organizations?

Ms Caragata: Non-profit organizations, yes.

Mr Callahan: Did you get the names of those? I'd love to know what they are.

Ms Caragata: I did have the names some seven years ago when this was approved.

Mr Callahan: In the report it says, "'Sabbatical leave' was used for family reunion, to raise children or for pleasure trips." It strikes me as a little bizarre.

Ms Caragata: If I might comment with respect to the last one, which was my sabbatical and a pleasure trip: After I had left the International Congress on Social Welfare in Berlin, which was like a four- or five-day conference, I then did a two- or three-week—I can't remember the exact duration—study tour of some housing projects in Sweden and Denmark that was arranged by the consulate here that was not—

Mr Callahan: Was that pre-approved by the board?

Ms Caragata: Yes, it was approved by the board.

Mr Callahan: The other one was, "There was no evidence of any purpose of such leave or any work done which benefits the organization." Is there any documentation of what these sabbaticals were for, or were they just leaves of absence with pay?

Ms Caragata: I formally requested mine to Houselink's executive, a written request, so that documentation I assume still exists. I have a copy of my submission.

Mr Callahan: Who else got sabbaticals besides you?

Ms Caragata: I think there were two others. Obviously I'm now going back a significant time. I think there were two other staff.

Mr Callahan: How long were their sabbaticals for?

Ms Caragata: I couldn't say—like a month or six weeks.

Mr Callahan: How long was your sabbatical for?

Ms Caragata: I think mine was two months.

Mr Callahan: So yours was greater than any of the others?

Ms Caragata: I had been there longer. It was based on years of service.

The Vice-Chair: Sorry, Mr Callahan, we're going to move on. Mr Stockwell.

Mr Chris Stockwell (Etobicoke West): I don't want to talk about dotting the i's and crossing the t's. I want to talk a little more significantly with respect to the auditor's report. The audit says "quarterly reports were not prepared by Houselink for the past five years."

Ms Caragata: Quarterly reports to the Ministry of Health. The Ministry of Health had discontinued its quarterly reporting forms and it had reinstituted those for us in I think the end of the fiscal year while I was on maternity leave, so I guess I'd quarrel with the fact that it was a Health expectation. We had never been advised by the Ministry of Health that we were deficient in any of our reporting to them, ever.

Mr Stockwell: The audit also says about Houselink, "The audit fee was...inflated by the public accountant at the request of the executive director with the agreement to return the inflated amount in the form of donation."

Ms Caragata: I'm very glad you asked me this question. It was one that I had forgotten to comment on. "Inflated at the request of the executive director" is just patently false—not true. We used a large accounting firm. Arthur Andersen was our audit firm for many years. They would bill us, as I understand it's the normal practice for most non-profit organizations, at their standard corporate rate.

Large law firms, all of those big firms that deal with small organizations I think do exactly the same thing. They bill at their standard corporate rate, and then, so that they get the benefit—say the standard corporate rate is \$200; they bill at that. You use them for five hours and that's \$1,000. Because this is a small organization, they then will give some of that \$1,000 back in the form of a donation so that they get a tax receipt on the amount that they reduce their fees for. This is standard practice. This isn't some kind of, "I'm asking them, 'Please inflate your rate.'"

They're billing us at their normal rate, at the regular rate, the rate that they bill everybody else. Then, because it's a small organization, they make a donation of some of that amount of money back. As I understand it, that's done throughout, when non-profit organizations deal with large law firms, large CA firms.

Mr Stockwell: There seemed to be some debate about the amount, though. They seemed to say the amount is somewhat inflated over and above an average standard

billing rate.

Ms Caragata: I don't think that's true.

Mr Stockwell: Do you remember what you were billed?

Ms Caragata: I honestly don't, but these are large firms. I'd be really surprised if Arthur Andersen was willing to play those kinds of games with its billing rates.

Mr Stockwell: The audit also says the same accountant changed firms three times in three consecutive years and you followed that accountant around.

Ms Caragata: Yes, that is true. We were looking for stability. We had developed an extremely good relationship with somebody who was a senior manager at Arthur Andersen. He decided he wanted to move to a smaller firm. He moved. We moved with him.

Mr Stockwell: Then he moved to a smaller firm again?

Ms Caragata: No, he moved to a medium-sized firm, and then he moved to a larger firm. But having got yourself into the situation where you've moved with him once, which may have been a mistake, you're then stuck at a firm that you didn't ever have any commitment to, loyalty to. He then decides to move again. You have the debate, do you move with him once again and how long do you keep this up, or do you stay where you are? So we did move that next time.

Mr Stockwell: Let's track this piece along the way. Five years, no quarterly reports. You're claiming the ministry said, "We didn't want them," or it didn't tell you it wanted them. I would assume they wanted them, but you're saying they didn't commit to you that they wanted them. Secondly, about the billing and then firing back at the non-profit section, do they get an accounting break or a tax write-off because of that? Now you're following the same accountant through three different accounting firms. It looks a little fishy.

It seems to me that what this auditor is saying by stringing these issues together is that it doesn't look copacetic. I guess I'm putting to you, with the other issues that have been brought forward, yes, you can argue sometimes that you're not very astute when it comes to the accounting process or the reporting functions and so on and so forth, but these seem to be directly related to decisions made by whoever that, I would suggest, smell.

I want your reaction. What do you have to say? If you were faced with this information in a public forum, I think a group of people who were stockholders in a company would start saying, "What's going on here?"

Ms Caragata: I agree with you, except I'd like to see a copy of a letter from the Ministry of Health that ever said we were deficient in our reporting, that ever said, "Excuse me, but you haven't submitted quarterly reports, and these are those reports, and they're required." I would really like to see that, because while I was at Houselink—

Mr Stockwell: What I was—

The Vice-Chair: Mr Stockwell, we have to move on.

Ms Caragata: —it wasn't there. I understand that from your perspective you've got these kinds of—

Mr Stockwell: But I understand you were filing them and then you stopped filing them.

Ms Caragata: They stopped—

Mr Stockwell: Taking them?

Ms Caragata: —giving us quarterly forms to fill in.

The Vice-Chair: We'll move on to the government caucus.

Mr Robert Frankford (Scarborough East): You raised the comparison of the cost per client, I think you said, compared with group homes. The Ministry of Health presumably has some health objectives in what it's doing. As well as reporting costs, is there some way that the organization reports on effectiveness or the work done?

Ms Caragata: Houselink had an extremely close relationship with its program contacts, including the director of the community mental health programs branch, over the years 1986 through probably 1989—extremely close, much closer than most organizations would have had with the Ministry of Health over that period of time, because of our involvement in taking over the Channon Court project, which had been three for-profit boarding homes, which we had agreed to take over.

They had been putting public money into some for-profit operations. There had been some press attention to that. We had agreed, as a non-profit organization, to buy those units and redevelop them for those existing tenants. So we had very close contact with the ministry over all of that, with I think at some points as close as weekly meetings with them and their senior staff to discuss that operation, to discuss our redevelopment. There was tremendous public attention and press attention on that at the time. So we were very involved.

They knew the program. They even knew many of the people we were housing, because we had been housing a highly kind of chronic population in that building. These had been people who had been kicked out of Queen Street Mental Health Centre. There was significant interest and a lot of public support for our endeavour there.

Yes, they knew the program. Yes, we had regular contact with them. During that three-year period of time, we had intense contact with them, not only with our program person who is responsible for Houselink but with much more senior people on a very regular basis, and many, many discussions about the program, about the suitability of our program to house this particular group of people.

We had expanded in 1986 with a house rights program, which was really oriented to trying to house quite hard-to-house homeless people. That had been heavily supported by the Ministry of Health.

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The Vice-Chair: Just before we let you go, we have one brief closing question from the auditor.

Mr Erik Peters: Actually, two very brief ones. Firstly, did you consider the budgetary process that you had to follow timely? Did you get approval of your funds in good time for the year?

Ms Caragata: I guess it depends on what you mean by "in good time." I think for a budget year that would start April 1, we would get our approvals in May, late

May maybe. So I guess I don't consider that timely. But I now work for government, and it's the same way there, so I think it's usual.

Mr Peters: The second question, very quickly as a supplementary, had it occurred to you or the board at one stage to say: "Look, we are having a surplus. We don't need any money next year"?

Ms Caragata: We had extremely frequent conversations with the board about our surplus. It was acknowledged at every annual general meeting. I guess there was a real question about the extent to which all of that surplus would be reclaimed and by whom. We reported the surplus to Health. We had those discussions with Health. Houselink also received other sources of funds.

I don't want to muddy the waters at this late date, but I would suggest to you that the Ministry of Health simply reclaiming all of that or the Ministry of Health dividing it up probably isn't 100% fair to those other funders and contributors to Houselink, because presumably if there's a surplus, you could establish that some of it might relate to their funding too. I think it's a little late in the day, given that these funds were reclaimed some four years ago, I understand.

But yes, we did have regular discussions about the surplus. Health was aware of the surplus.

Mr Peters: When you put the audit fee in your budget, did you put in the whole amount?

Ms Caragata: Yes, we did.

Mr Peters: So in other words, part of the surplus that you got was by reverse donation from the accounting firm?

Ms Caragata: Yes, although the donation from the accounting firm would also be recorded as a donation, as revenue.

Mr Peters: As received, but not in your budget. You would not forecast donations in your budget.

Ms Caragata: No, we would indicate other sources of revenue. I can't really remember the Health budget, but I think there's a place on that budget form where they ask for other sources of revenue, and we would report those there.

Mr Peters: But how would you estimate future donations?

Ms Caragata: I'd been there for almost a dozen years. We had a pretty clear sense of what we would anticipate over the next year.

Mr Peters: You think you would have included the donation from the public accountant in that?

Ms Caragata: I think we would have included not specifically a donation from the accounting firm, but we would have included in that budget line what our general expectations were with respect to total donations.

Mr Peters: Just a very quick confirmation on that: Are you registered as a charitable organization under Revenue Canada?

Ms Caragata: Is Houselink?

Mr Peters: Yes.

Ms Caragata: Houselink was when I left; I have no

idea if it is.

Mr Peters: Okay. Thank you very much.

The Vice-Chair: Ms Caragata, I'd like to thank you very much for appearing before our committee.

Ms Caragata: Thank you very much for the opportunity to do so.

PEGGY BIRNBERG

The Vice-Chair: Now I'd like to call on Peggy Birnberg from Houselink Community Homes Inc. Ms Birnberg, I understand that you are currently the executive director at Houselink?

Ms Peggy Birnberg: Yes, I am.

The Vice-Chair: Did you want to make a few brief opening remarks?

Ms Birnberg: Yes, I would, and I'll keep them quite brief. As I've just been introduced, my name is Peggy Birnberg, and I'm the executive director currently at Houselink Community Homes. I've held that position since I joined Houselink in February 1991. The previous executive director, whom I have never met and whom I am seeing today for the first time, left in September 1990, five months prior to my arrival.

If it pleases the committee, I have a few brief remarks to make and then I'll be happy to answer any questions you might have. I'm afraid my remarks won't be quite as interesting as the last speaker's, because I'll be talking about fixing the problems; sometimes that's not as interesting material.

First let me say that I welcome the opportunity to talk about Houselink's operations since 1991, and I share your concerns about the agency's operations in the time before I came aboard. At the same time, I really hope we won't lose sight of the important work done by Houselink. Our community-based agency provides permanent, affordable and supportive housing to psychiatric survivors and to people who have been homeless or otherwise marginalized. Houselink's overriding objective is to provide the best accommodation and services to the people who depend on us. We can most effectively achieve this objective by carefully managing the taxpayers' dollars we are privileged to receive.

I have spent the vast majority of the time since my appointment more than three years ago making changes at the agency. I can assure you today that Houselink is now operating under the strongest administrative and financial controls possible. Sadly, as your deliberations and the government audits have confirmed, this was not always the case.

Our board of directors, made up of volunteers, received a preliminary audit in 1990. They responded immediately by conducting a review of the organization, and hired me as the new executive director.

My priority mandate was to introduce new policies and procedures to address the financial management and administrative concerns outlined in the audits. Since that time, we have fully accepted all of the recommendations made in the audit reports and have finished implementing them. I have worked to strengthen and enhance all management practices and have implemented more than 20

major changes. I am submitting a full listing of those for the committee's consideration.

In addition, the board has developed a comprehensive set of policies and carefully monitors the executive director's performance. This is done through monthly reporting, an annual evaluation, and the year-end audit, which is conducted by an outside firm. Our auditors also provide a management letter critiquing our internal controls and checks and balances.

While I can tell you that our financial management is now beyond reproach, I am always looking for ways to improve our practices. If your deliberations result in any specific recommendations about Houselink's operations, I would be pleased to add those to the already considerable list of improvements that have been made.

Madam Chair, members of the committee, I am only able to tell you what happened in the time after the period with which you're concerned. My job was not to investigate the past or to place blame, but to correct the problems and to move Houselink forward. This is what I have done.

The important facts are these: We were very concerned about the audit's findings. We took decisive action almost four years ago. Our management procedures and practices today are strong. We make very efficient use of taxpayers' dollars.

Finally, we hope that very soon we will be able to focus exclusively on serving the 300 men, women and children we house and support, many of whom would otherwise be living on the streets.

Thank you. I'd be pleased to answer any of your questions.

The Vice-Chair: Thank you for your comments, Ms Birnberg. We'll now go into rotations. I'm afraid, after the last incident, to even ask this question, but would you like five-minute rotations by caucus? Shall we start with that and see how things go? We'll start with Mr Cordiano and, if time, Mr Callahan.

Mr Cordiano: I guess the thing that comes to mind and stands out like a sore thumb is the fact that the operations of Houselink, when the previous executive director was the executive director, seemed to occur, by and large, with a great deal of focus on what the executive director's role was. She herself made a lot of things happen in isolation of board approval and all of the other kinds of checks and balances which went missing at the time.

I see we have some of the measures you've taken. I won't have a chance to look at this in detail, but let me ask this: Do you still have sabbaticals at Houselink?

Ms Birnberg: Sabbatical leave and merit pay were terminated immediately when I arrived, at the direction of the board.

1040

Mr Cordiano: Okay. I won't try to go through that whole list of items, because I'm sure you've covered—

Ms Birnberg: I'd hoped that would be helpful to your deliberations.

Mr Cordiano: Right, and I'll look at that later on.

But I think the focus has to be around the executive director's role and how much latitude that person is granted by a board that seemingly—the former executive director seemed to indicate or imply that the board really wasn't on top of things.

We have had a great deal of concern on this committee about the selection of boards of directors for non-profit agencies, recommendations that we will be making, again, to the ministries of Housing and Health and other ministries that are involved in some of the programs about the selection of boards of directors. Do you have anything in the measures that you've taken around the selection of boards of directors? Do you have guidelines now or a set of criteria that you follow?

Ms Birnberg: We have a process which I'd be happy to describe to you briefly, if that would be helpful.

Mr Cordiano: Very briefly.

Ms Birnberg: We're very careful about who sits on our board. Any prospective candidate must be nominated, go through a nominating committee process where they're screened for their ability to serve as a board member, commitment to our mission and values, conflict of interest and particular skills they might bring. A slate is then put forward to the board. If ratified, it's sent to our general members' meeting for election.

All board members, resident board members and community board members, are screened in the same careful way.

Mr Cordiano: Thank you.

Mr Callahan: Just very quickly: You've cancelled sabbaticals and merit pay. Does that also mean you've cancelled the putting of money into RRSPs for employees?

Ms Birnberg: Absolutely not. RRSPs in non-profit organizations are the same as pension plans in large organizations. I think this is a really important point. I've worked in the non-profit sector for 25 years now. I'm just past 50 years old and I've never had a pension plan, because non-profits don't offer them.

More recently, non-profits have been able to put money into RRSPs. We have contracts with our employees that that money is not allowed to be taken out for any reason. It's there to act as a pension and, when they leave the organization, must be transferred to another RRSP plan.

Mr Callahan: Is the ministry aware that you're doing this?

Ms Birnberg: Yes, they are.

Mr Callahan: And they approve of it?

Ms Birnberg: It's their practice. And in our organization, the amount varies from between 1% and 3% of salaries, which is a very small amount of pension money.

Mr Callahan: And this is just employees. The directors, do they serve without compensation?

Ms Birnberg: Absolutely.

Mr Callahan: Do you have a lawyer on your board?

Ms Birnberg: We do.

Mr Callahan: Does the lawyer serve without compen-

sation?

Ms Birnberg: Absolutely.

Mr Callahan: A chartered account on the board?

Ms Birnberg: Yes.

Mr Callahan: Does he serve without compensation?

Ms Birnberg: Yes, he does. When we need legal counsel, we hire independent lawyers who provide us with counsel.

Mr Callahan: You've indicated you return a surplus to the ministry.

Ms Birnberg: We return our surplus at year-end as soon as we have an estimate. I guess that's a bit of a backlash from the past, but we just want to get it out of our bank accounts into the ministry's.

Mr Callahan: Well, the government can use it, believe me.

Ms Birnberg: I understand that, and the times are different now, too.

Mr Callahan: Thank you.

Mr Stockwell: Just a bit of information: Lots of people don't have pension plans; lots of people don't have RRSPs out there.

Ms Birnberg: That's true.

Mr Stockwell: Your analogy may be fair when comparing to government employees, but there's a whole vast array of people out there who don't have this kind of opportunity. But I understand it's not your policy; it's the ministry's policy, or an accepted process.

There's some concern, at least that I have, with respect to boards, particularly these kinds of supportive housing operations: They turn into socialist enclaves.

Mr Callahan: Can you be a little clearer? Explain what you mean.

Laughter.

Mr Stockwell: Although I see that it does strike people as humorous, I'm not sure really why. There's little, if any, debate, of the boards that I've met with, that they tend to be an enclave for like-minded, like-thinking people. I certainly understand that does happen. With your process of approving board members, it doesn't seem that there would be some interest from others or thoughts of getting on the board if they have a different—

Mr Marchese: How do we get some Tories on these boards?

Mr Stockwell: With all due respect, Madam Chair, I say to the member from—

Mr Marchese: Fort York.

Mr Stockwell: I was going to say "the ex-member from Fort York"—that there may be some interest, but it seems to me the process design, there doesn't seem to be a lot of—

Mr Gary Wilson: You mean you want to be compensated?

Mr Stockwell: I guess I'm trying to ask my question. There doesn't seem to be much opportunity—

Mr Callahan: It's gratis.

Mr Stockwell: —the way it works—

Mr Gary Wilson: That's why they're not interested.

Mr Stockwell: The fact is, there's a lot of people I know who do offer to sit on boards etc, gratis, they offer their services free of charge, and they're doing this as their service to the community. But as I hear your process for setting up and approving board members, the chances of them being approved appear slightly remote.

As I look through and review these housing programs and Houselink and groups such as that, they truly are socialist enclaves, and I ask you: How is your process set up that it doesn't just continue and be maintained?

Ms Birnberg: I think probably if you said that to our board, some people on our board might be quite insulted at that description.

Since our board always identifies skills that it feels it needs to manage responsibly, and since those skills are usually financial expertise, preferably a chartered accountant, legal expertise, human resource management, architects and others who have experience in building, and then goes out in a variety of ways to recruit, putting notices up in the volunteer centre, sometimes putting ads in a paper, a lot of word of mouth through board members that we know, I think we get quite a cross-section of the community on our board of directors.

Mr Stockwell: Did the previous board have an accountant and a lawyer on it as well?

Ms Birnberg: Absolutely.

Mr Stockwell: And the previous board ended up in that kind of trouble?

Ms Birnberg: I can't talk about the time when I wasn't here.

Mr Stockwell: It appears to me that there's some kind of argument here about attracting people to do the job and you're trying to get lawyers and accountants. I have never seen an auditor's report of a more screwed-up association than Houselink, at least previous to your operation. It took how long to do an audit report, for heaven's sake? It must have been a very difficult process to work through. I blame directly the board that's in charge—who else can you blame?—and the executive director.

I guess what I'm saying is, it may be humorous to some; it was a colossal fiasco, it's embarrassing, it's a public waste of taxpayers' money. All I'm asking is: How are we attracting board members to ensure this kind of fiasco and ripoff doesn't happen again? I don't think that's very funny.

Ms Birnberg: I don't know if you've asked me a question, Mr Stockwell.

Mr Stockwell: It may well not have been a question; it may well have been a statement. But personally, as a taxpayers' representative, I am insulted that there's some humour around this question. Hundreds of thousands of dollars was wasted. You did have an accountant and a lawyer on the previous board.

Ms Birnberg: Mr Stockwell, I can't talk about the previous boards; I can only talk about the boards that have been in place since I've come to Houselink in 1991. They took the audit reports' recommendation seriously,

they hired me with my administrative experience to correct things. They were very diligent about making sure that those were corrected. The board of directors has always been extremely serious, effective and have moved us into a very new place. I can't talk about the past.

Mr Stockwell: We just heard the same thing from the previous board, though. It was an effective, serious, concerned group that screwed up seriously.

Ms Birnberg: I have no comments on that.

Mr Stockwell: Maybe there is no answer to that question.

Ms Birnberg: I can only tell you what exists now. We have a different order—

Interruption.

Mr Stockwell: I can only hear—if you want to come up, I'll ask you questions next.

Ms Birnberg: We have a different auditor, hired through a competitive process. Our auditor is Ernst and Young. They're quite a reputable firm.

Mr Stockwell: Yes, they are.

Ms Birnberg: We particularly picked them not only because they gave us a competitive price, but because we wanted a reputable firm and a firm that could offer us advice on a whole lot of levels that a small organization like us would need. I can only try to assure you that business is being conducted in a very prudent and proper manner.

The Vice-Chair: We'll move on to the government caucus. We have Mr O'Connor, Dr Frankford and, if time, Mr Marchese.

Mr O'Connor: I appreciate your coming to the committee today. There's been a lot of controversy over this and a lot of public discussion. I think what needs to take place is that for a lot of boards that volunteer their time, they need to know they do have some responsibilities with that, and that's got to be an awkward thing.

In what you've presented as some of the measures that have been taken in response to the audit, do you feel that the board that you have in place today is competent to go through a number of these areas: the reviews of the executive director; there seem to be some accounting changes as well.

Ms Birnberg: Many accounting changes.

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Mr O'Connor: Do you feel, if there were recommendations you were to make to us as a committee that we should be putting in a report—because I'm sure this will be of interest to a large number of people who run volunteer boards, who are part of being involved with a volunteer board—that we could put forward that is going to allow them perhaps a more in-depth knowledge than was in place?

I know this is a whole evolution over a long period of time, but it's something that needs to be put down clearly, and I think that we can learn greatly from this.

Ms Birnberg: I'm sorry, were you asking me if I had recommendations?

Mr O'Connor: Yes, if you had a recommendation

that you could put before us that we could put into our report about what should be included for information to a new board member.

Ms Birnberg: I think that board members require and desire a strong orientation to the organization, a strong orientation to what the responsibilities of board members are, and there needs to be a focus on accountability and that boards are very capable of ensuring accountability once they understand clearly that is their role.

Mr O'Connor: Does that include the consumers?

Ms Birnberg: Absolutely. What is a consumer? I don't even know who all the consumers on our board are. I don't know if there are any consumers among this group. You don't know if I'm a consumer. A person is more than a mental illness.

Mr O'Connor: That's right.

Ms Birnberg: All of our board members have tremendous potential, commitment, experience, a range of experience, education—

Mr O'Connor: That range is important.

Ms Birnberg: —and ability. That's the richness of a voluntary board, that that comes together and there's a lot of skills when you look at a board of that nature. Our resident board members or consumer board members are just as capable as any other board members.

Mr O'Connor: Thank you very much.

Mr Frankford: A brief, almost a comment, or a request for clarification: It's not your role to select a board.

Ms Birnberg: No.

Mr Frankford: You're a servant of the board.

Ms Birnberg: Absolutely.

Mr Frankford: And the board has its procedures.

Ms Birnberg: Thank you. That's absolutely true. I do not have a vote on the nominating committee and I have nothing to do with that process at all. I'm at arm's length from it.

Mr Frankford: Okay. That's all.

Mr Marchese: Just a point that I wanted to make in relation to Mr Stockwell's remarks about, "These boards tend to be socialist enclaves." It's like saying the board of trade is a Conservative enclave and it shouldn't be, for some reason. We should make sure there are enough NDPers there because, as it is, it's a boondoggle.

Mr Stockwell: They don't take our money, Rosario.

Mr Marchese: I think the point is that he's trying to discredit people by linking them to being socialists, and I just wanted to, for the record, say I reject that statement. Obviously, most boards have mixed boards and I'm convinced there are Liberals, as there are Conservatives, in these boards, but for him to establish that connection to discredit people, I think, is a wrong one. Just for the record, Madam Chair, I wanted to say that.

Mr Callahan: Are you talking about Lieutenant Governor appointments?

Mr Stockwell: I think you're too sensitive about being an NDPer.

The Vice-Chair: I'm assuming you actually didn't

want the executive director to comment on that; it was more a statement.

If there are no further questions from members, then we'll thank Ms Birnberg for her presentation and appearance before us today.

Ms Birnberg: Thank you very much for giving me the opportunity.

SUPPORTIVE HOUSING COALITION
OF METROPOLITAN TORONTO

The Vice-Chair: I'd like now to call on David White, executive director of the Supportive Housing Coalition. David White seems to have expanded to three people, so perhaps you could identify yourself and the other people for the purposes of Hansard and then we will proceed.

Mr John Loewen: My name is John Loewen. I'm the president of the Supportive Housing Coalition.

Mr Anthony McEvenue: My name's Anthony McEvenue. I'm the treasurer for the board of the Supportive Housing Coalition.

Mr David White: I'm David White. I'm the executive director of the Supportive Housing Coalition.

The Vice-Chair: You're the real David White.

Mr David White: I am the David White.

The Vice-Chair: I don't know, Mr White, whether you plan to make a presentation.

Mr David White: Yes, I have a brief presentation to make and then we'll be pleased to answer questions.

The Supportive Housing Coalition appreciates this opportunity to appear before the public accounts committee. We want to tell you about the work our organization does and give you information about our efforts to respond to the recommendations that the auditors made in their reports.

We would like to say from the outset that the Supportive Housing Coalition, the SHC, has a keen interest in ensuring we spend funds the provincial government makes available to us in a frugal manner. We are well aware that these funds are scarce resources and that by spending them wisely, we are able to provide more service to more people in need, and this is our main objective.

It is for this reason that the Supportive Housing Coalition has adopted the attitude that the ministry auditors are a valuable resource. While no individual and no organization likes to hear criticism, we understand that it is often through the critical eye of an outside observer that we obtain the advice that helps us to constantly improve our performance. It has always been our intention to provide the best possible service to the people who live in the homes we have built and renovated. We also hope that through our discussion with the public accounts committee today we may obtain your further advice and guidance to help us in our work.

The Supportive Housing Coalition is a non-profit housing corporation that accommodates people who use community mental health services and other people of low and moderate income. We were first funded to develop non-profit housing in 1982, and since that time we have developed 45 buildings that accommodate over

750 people. Our tenants include single people, couples and families with children. We retain ownership of 35 buildings that accommodate about 700 people and have transferred title to the other 10 buildings to other non-profit housing corporations.

The Supportive Housing Coalition's most rapid growth, measured in terms of the number of buildings under management—that is, occupied—took place from 1987 to 1991. During the period from 1988 to 1990, the Supportive Housing Coalition also acquired 11 properties for future development under the loan guarantee program of the Ministry of Housing. This program was designed to assist non-profit housing corporations to acquire and hold land while they worked on obtaining municipal zoning approvals. At the time of the program, vendors of property were in a strong position to pick and choose from among potential purchasers. Most vendors, most people who had property to sell, were quite unwilling to accept offers of purchase that were conditional upon zoning approval.

The Supportive Housing Coalition was successful in obtaining zoning approvals on 10 of the 11 properties we acquired under the loan guarantee program. The Ontario Municipal Board rejected our application for a change of zoning on one property, 55 Kildonan Road. We have either built or are under construction on eight of the properties and we have not proceeded with two, 1236 Dundas and 1215 Queen, at the request of the Ministry of Housing, although, as mentioned, we have obtained zoning approvals on those properties.

The Supportive Housing Coalition received a copy of the report from the Ministry of Housing auditor in April 1992. As noted in the auditor's report, we had already addressed some of the issues the report raised prior to our receiving it.

For example:

In 1990, the Supportive Housing Coalition board of directors adopted a position on the receipt and disposition of donations that required each transaction to have the approval of the board.

In 1989, we took steps to ensure that professionals who provide service to the organization were not directors of the organization. We took this action three years in advance of the ministry issuing guidelines on the matter.

In July 1990, the board directed staff to interview several development consulting firms for any future work for which the Supportive Housing Coalition was not already committed to the development consultant that we had previously used.

By the time we received the auditor's report, we had discontinued unnecessary advance payments to suppliers. We note that in some cases, in the very active renovations period that existed between 1988 and 1990, we had to pay advances on work in order to obtain quotations from the small businesses that undertook the small renovation contracts that we had to offer.

By the time of the auditor's report, we had already taken steps to improve our financial and accounting controls to keep pace with our rapid growth:

We employed an additional staff person to work on

financial management.

We employed the services of a chartered accountant on a contract basis to assist with the improvement of our financial management.

We implemented a fixed assets register and tagged all our moveable assets.

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Since we have received the report, we have taken these actions:

- Implemented a purchase order system;
- Developed a better system to obtain and record at least three quotations for each maintenance contract whose cost exceeded \$1,000;
- Implemented procedures to record expenditures for particular items in a precise manner;
- Strengthened the finance committee and implemented more regular reports to the board of directors;
- Changed our financial statements to provide the information in the form that the Ministry of Housing has requested since the auditor's report;
- Implemented the auditor's recommendation with respect to year-end accruals and payments;
- Implemented the auditor's recommendation with respect to reporting of earned interest as revenue to individual projects instead of consolidated revenue.

Since receiving the report as well, we have directed the firm that conducts our annual audit to continue to issue a management letter each year. These letters inform the board of directors of areas where the Supportive Housing Coalition might continue to tighten up and improve its procedures and efficiencies.

In concluding, we would like to say that over the years we believe we have provided a valuable service to the people of Ontario by providing affordable housing to people in need. We have in the past and will continue in the future to look at ways to improve our service. We are confident that as a result of this continuous evaluation we'll be able to ensure that in supporting our organization, the people of Ontario will be receiving value for the funds they provide.

We thank you again for this opportunity, and we're prepared to answer any questions. Madam Vice-Chair, I do have copies of the submission, which maybe the clerk would like to distribute to the members.

The Vice-Chair: Thank you. In fact, you pre-empted my next question. Because you did itemize a number of the steps taken by Supportive Housing Coalition, I think it would be helpful for members to have this information before them. We'll start the questioning with Mr Crozier.

Mr Crozier: I'm trying to establish in my mind where the accountability lies for the vast sums of money that are spent by your organization and others. To whom or to what group do you see yourself directly accountable?

Mr David White: In my reporting relationship, I'm accountable to the board of directors for the management of the organization. The organization, through the board of directors, is accountable to the funders and is also accountable to the people who live in our buildings and

is accountable to the public at large.

Mr Crozier: I'm interested that you went on through that link, because I'm interested to see that you eventually think you're accountable to the taxpayers, much the same as we feel we are.

Mr David White: Yes, absolutely.

Mr Crozier: There's been some suggestion previously by another witness that like many other agencies and/or ministries, I think it was said, you attempt to spend the full amount of your budget. How would you categorize your operation when it comes to annual expenditures and the efficient spending of taxpayers' money?

Mr David White: What we do is spend the funds that we feel we need to spend in order to provide good service. As the auditor's report has pointed out, like the other organization that appeared before you today, our organization has also not spent its full budget and has returned those funds to the funder after having reported them in our annual financial statement.

We feel we do spend money efficiently. There's nothing in the auditor's report which says we have not received value for money. They have said that some of our procedures needed tightening up to ensure that we weren't risking the possibility of not spending money well, but certainly it's the position of our organization that we have responsibility to spend the moneys efficiently, to provide good service and to keep in mind that these are scarce resources.

Mr Crozier: Essentially, you try and balance the service you are expected to provide with the efficient spending of the funds you have available.

Mr David White: That's right. For example, most of our budget is spent on the operation and maintenance of buildings; that's what most of our funding is for. That includes the cleaning of the buildings and the staff salaries that are associated with that, the management of those buildings, the repairs to those buildings and the paying of utilities.

As an example, we ensure rigidly that we always meet the discount dates for utility bills, as one example. An organization the size of ours pays substantial money for heat, light and water. Most of the utility companies offer discounts if we pay on time, and we rigidly ensure that we meet those discount dates.

The Vice-Chair: Two minutes, Mr Callahan.

Mr Callahan: Do you ever have sabbaticals?

Mr David White: No, we never have had that policy in our organization.

Mr Callahan: Do you ever have merit pay?

Mr David White: No. What we have is a salary scale, and if an employee's performance each year is found to be satisfactory, they may move up to the next level in the salary scale. There are five steps in the salary scale. There's an entry level and four other steps.

Mr Callahan: Finally, how about RSP contributions for pension?

Mr David White: Our organization, in lieu of a pension plan, for each of the employees pays a percentage of their income into an RRSP, which is meant to

serve instead of a pension plan.

Mr Callahan: Part of their compensation package?

Mr David White: It's part of their compensation package, along with benefits such as an extended health plan and a life insurance policy; typical kinds of things that an employer would provide.

Mr Callahan: Do you have a lawyer and an accountant on your board?

Mr David White: We have a lawyer on our board. At the present time we don't have an accountant on our board. However, we have contracted, as I mentioned, with an accountant who provides advice to the board.

Mr Callahan: I saw that. If you were going to make a major decision, such as sabbaticals or merit pay or whatever, you would certainly understand that that's something the board of directors would have to take to a special meeting of the membership in advance in order to have it ratified?

Mr David White: The board of directors approves all the compensation package. They approve the salaries, the steps in the salaries I mentioned, the benefit package, including the RRSP package. All of that has been approved by the board.

Mr Callahan: You have a membership, do you?

Mr David White: Yes, we do.

Mr Callahan: Is that then taken to a special meeting of the membership as opposed to waiting till the annual meeting?

Mr David White: No, a compensation package is not taken to the members. It's dealt with by the board. The board has legal responsibility to operate the organization, and those matters have not been taken to the members, but they are dealt with at the board. The board, of course, is elected by the members.

Mr Callahan: If you were going to do something as radical as sabbaticals, you would obviously take that to a special meeting of the members, would you not?

Mr David White: It's a hypothetical question. The matter has never come up with our organization, the question of sabbaticals.

The Vice-Chair: Mr Callahan, we have run out of time. We have Mr Stockwell and, if time, Mr Tilson.

Mr Stockwell: Your letter basically talks about your program and the best cases and the costs involved, and you talk about the tight controls you have. It doesn't seem to jibe with what the end costs of your units are. Consistently, they appear to be higher than the private sector, in some cases significantly higher. Why is that?

Mr David White: Sorry, I actually don't have information here today which would indicate a comparison. I'm not prepared to answer that question; I just don't have the information.

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Mr Stockwell: But you must have a feeling, being involved in the supportive housing program, being deeply involved for the number of years that you have been involved. It seems that it's excessive, significantly excessive in some instances, and always more than the cost in the private sector. I know audit reports can tell you about

how the money was spent, and you're talking about the costs and how closely you tabulate these things and that you're trying to get the best value for the dollar. The point is, is that an incorrect assumption, or is that just something that goes with the kind of cooperative housing cost, that we'll just have to accept it's going to be higher?

Mr David White: We're not actually a cooperative. We're a non-profit housing corporation.

Mr Stockwell: Non-profit housing.

Mr David White: Mr Stockwell, you're asking a general question and I will try to answer it in a general way. First of all, comparing non-profit housing to private sector housing is to some degree comparing apples to oranges.

Let me give you some examples of why I say that. For one thing, most of the buildings that we build are quite small. They're in the order of 25 to 40 units, that kind of size. Those buildings nevertheless have some of the same development costs associated with them; the processing of the application, for example, takes as much time as it does for a larger building. So you don't necessarily achieve the same efficiencies of scale as you might achieve if you built a building of, say, 200 or 250 units, which would be not atypical of a condominium building that would be built for the private sector.

And if the footprint of our building is similar to a condominium building, but the condominium building is 30 storeys high and our building is only four storeys high, in a general sense the roofing cost would be the same because there's as much surface to cover in both buildings, but in the larger building the cost of that roofing is spread over many more units. That would be another example of why the costs may be different.

Mr Stockwell: The analyses I've read, though, indicate that unit size to unit size, in fact bigger units, more expensively appointed, same size in terms of number of units—and you're talking bachelor apartments, or singles, well in excess of \$100,000.

Mr David White: Mr Stockwell, I recently attended a meeting of the Ontario Association of Architects in Ottawa. One of the speakers at that conference in fact pointed out that feature for feature, dollar for dollar, in terms of value for money, the buildings that were being built in the non-profit sector were in every way comparable to what was being built in the profit-making sector in the condominium market. I want to make one point clear, however—

Mr Stockwell: Could I just say, if you could give me a copy of that, it would be the first time I've read that.

Mr Gilles Bisson (Cochrane South): Could you repeat that? I didn't hear that.

Mr David White: I said that I attended a conference, and one of the speakers pointed out that dollar for dollar, value for value, owners of the buildings that were being built in the non-profit sector were getting the same or comparable value for money as owners of buildings that are being built for the condominium market.

I want to make one point clear, though. I don't want to get into this debate in terms of the private sector versus

the non-profit sector. I don't think that's a fruitful debate. It's widely accepted in the non-profit sector that the proper approach for us in order to achieve our goals, in order to make sure we are accommodating people of low income and meeting those goals, is that what's required is partnerships between the non-profit sector and the private sector.

We of course work in partnership with the private sector; all our buildings are built by the private sector. At this time, given the general slowdown in the building trades, they are in fact providing a fair bit of business to private businesses. We accept that and we find that a perfectly appropriate arrangement.

Obviously, in the operations of our buildings, they need maintenance. We employ private businesses, large and small, to do that work—

Mr Stockwell: These are lovely answers, but they're not answers to my questions. I don't want to be so abrupt as to interrupt, but I have a few questions I want to get answers to.

The debate is not whether you have a partnership between the private sector and the non-profit. That's wonderful stuff. What I'm dealing with here is auditor's reports, value for dollars—

Mr Gary Wilson: It's about time you got to what we're doing here.

Mr Stockwell: Well, this is what we're doing here.

Interjection.

Mr Stockwell: You know, I never hear Mr Wilson speaking in the House. I'm so surprised that he's so active in committee. Maybe we should take this forward to the House and you could be as active there.

Interjections.

The Acting Chair (Mr Bruce Crozier): Your minute's just about up.

Mr Stockwell: Thank you, Mr Chair. The studies and reports that I've seen have not indicated what you've said. I don't know who that speaker is. If you could supply me with the information about that architect, whoever was speaking in Ottawa, I'd love to read it.

Mr David White: I'll try to do that, sir.

Mr Stockwell: The comparisons I've seen are very clear that it's not competitive. When we read the auditors' reports, read the financial statements, look at the value for taxpayers' dollars and then measure it against this private and public sector approach you're using, I would like to ask, in your opinion, are there specific—are there consulting costs built in that drive up the fees? Are there costs with respect to programs and processes that are put in place that drive up the fee? Something is driving up the cost of these projects on a comparative basis, on a site-by-site basis, identical in size, same number of units, and we're still getting a higher cost in the non-profit housing sector.

The Acting Chair: If I could interrupt—

Mr Stockwell: They're not talking about roofs; they're talking about internal costs, consulting costs and costs along those lines.

The Acting Chair: Obviously, I can't interrupt. Mr

Stockwell, thank you. There won't be time for an answer.

Mr Stockwell: Are there any studies you can provide me with that would back up your analogy? I'd be happy to have them, if you could bring them forward.

The Acting Chair: He wants a yes or a no.

Mr David White: I'll try to bring forward such a study.

Mr Marchese: After the audit reports were done and all the procedures you're putting into place to deal with some of the concerns they had, what has been your regular, ongoing connection in terms of reporting on all your practices and your work? What is your connection to the ministry officials, both in Housing and Health?

Mr David White: We have of course responded. The way it works is, when these audit reports come out, the ministry responsible will review them and then our ministry contact will be in touch with us and ask us to respond to the comments and ask us to indicate what we're doing to deal with any of the issues that have been pointed out as requiring approval.

Using the Ministry of Housing as an example, which in terms of the material you have before you—that was the major audit that was done on the Supportive Housing Coalition. They first of all invited us in, the president and the treasurer and me and some other staff of the organization. We went in and we met with people from a number of different sections in the Ministry of Housing, both in the development and in the administration end and the finance end, and we reviewed the comments of the auditor and had a discussion. Then we were formally asked to reply to all the items. We did that, and the ministry indicated whether it was satisfied with our responses or not.

They also requested our organization to submit what they refer to as their management plan. What they had wanted us to do was to update it, given that our organization had grown very rapidly. Month by month we were growing, essentially, through that period. They asked us to submit a management plan, which we did. I believe you heard officials of the Ministry of Housing indicate that that management plan went far beyond any expectation the ministry would normally have for management plans.

Those are the steps we went through.

With respect to the Ministry of Health, and I mentioned that those audit reports were not as extensive as the one from the Ministry of Housing, there were two different ones, but the way that worked was that again they asked us to respond, and then they sent an auditor in to do a follow-up to see how well we had done.

If you compare the two audit reports, what you will note is that while the second time, the auditor had further comments—and quite frankly, I think that's the nature of auditors; they're always looking for continuous improvement and, as I mentioned, we accept that as an approach. But they mentioned a few other items in the second audit, and we've also dealt with those items. To the best of our knowledge, and certainly in terms of comments back from the Ministry of Health, we feel they're satisfied with how we've dealt with it.

Mr Marchese: You don't have an operating agreement with the ministry or ministries, yes?

Mr David White: We have not signed the operating agreement, again as I think Ministry of Housing officials indicated. However, there is an agreement that we're aware of and have read and we consider ourselves to be bound by it. There is one issue which our organization and a number of other organizations are working out with the Ministry of Housing. I think their officials are trying to figure out how to draft the language, essentially, at this point, but it goes to the issue of the fact that we provide supportive housing.

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Normally a non-profit housing corporation takes one half of the applicants who will be living in the deep subsidy units, the units with the largest amount of subsidies, from, in our case, being in Metro, the Metro housing authority list. However, we were funded with the view towards providing housing to people that the Ministry of Housing refers to as having special needs, in our case people who use community mental health services, and we're just working out the language on that issue.

Apart from that, the agreement is before us. We consider ourselves to be bound by it and we're operating by it.

Mr Marchese: So it shouldn't take very long to have an operating agreement.

Mr David White: I anticipate it wouldn't take very long at this point.

The Acting Chair: That concludes the time. I guess we had agreed that at this point we would conclude with the witnesses. I'd like to thank you for coming before the committee and just remind you that if—

Mr Tilson: On a point of order, Mr Chair: Who agreed to this? You've made a decree at this point. I'm just wondering what the agreement was.

The Acting Chair: I don't think I made a decree. I said I thought we had agreed. If we haven't, I'll go through the same process as the Vice-Chair did and we can go right on.

Mr Marchese: If Mr Tilson has questions, we're okay with that.

The Acting Chair: We're okay? All right.

Mr Callahan: Well, if we're going to do that—

The Acting Chair: We'll go through the rotation again. I'll give you each five minutes again.

Mr Callahan: Just as a general observation, each non-profit group in Metro has their own list, do they? Or is there a central list and people who get on the list get access to any non-profit group?

Mr David White: This is an area which really, in detail, I think is something we shouldn't be answering. I think it's really something the Ministry of Housing should be answering. But generally, the different non-profit housing corporations have their own lists for people who are in higher-income brackets and for some of the people who would live in the units that are designated for what's referred to as deep subsidy.

The Ministry of Housing, however, through the Metro Toronto Housing Authority, maintains a list of people as

well and they refer people who are on that list to the non-profits, and the non-profits are supposed to have arrangements with the housing authority so that half of the deep-core units are occupied by people coming out of that list.

Mr Callahan: The reason I ask the question is that you're probably familiar with Peel Non-Profit Housing Corp, which I think is probably the Cadillac program in Peel.

Mr David White: I wouldn't want to comment on Peel Non-Profit, except to indicate in a general way that I'm aware that it is an organization which is providing a valuable service out in Peel and we're certainly familiar with some of its officials.

Mr Callahan: You should be running for politics, with that answer.

Mr David White: I've never gone near the subject.

Mr Stockwell: You've been near twice.

Mr Callahan: The reason I asked the question, as I say, is because I understand that out there, in addition to the buildings that are held such as your organization does, there are other non-profit groups that individually get moneys from the province to develop individual non-profit housing, much the same as in Metro.

One of the difficulties, certainly from the standpoint of us as MPPs, probably one of the most difficult questions we have to answer, is when we get a call from somebody who is in very great need and they have to be on the list, as it were. Well, if the list is one list for, say, your group and one list for each one of these non-profit groups, people can jump the queue. That's what disturbs me. In other words, if they happen to be within the group that's formed, say, a single building, they may jump the queue over the person who's been waiting for a place in your buildings on a significant list. Is that a fair statement?

Mr David White: I don't know if I would characterize it as jumping the queue.

Mr Callahan: Having insider information. Let's put it that way.

Mr David White: Well, that's even stronger. I don't think I would want to characterize it that way either. The funders, the Ministry of Housing in this case, in this province, and Canada Mortgage and Housing Corp, which cost-share some of these programs, the federal agency—the wisdom of the two levels of government is that housing should be delivered through a number of non-profit housing corporations. I believe we heard ministry officials indicate that there are over 1,000 in Ontario alone. Having gone that route, it means the entry is decentralized, that there's not a central point through which people get into housing, except, as I mentioned, the housing authority here in Metro does maintain a list of people who have applied to its units and it requires non-profit groups to take a percentage from that list when they're filling the deepest subsidy units in their buildings as well.

Mr Callahan: I jokingly said your answer was one which would put you in line around political options, and you said you'd never had.

Mr David White: I was sort of winking at Mr Stockwell. I served on Metro council with Mr Stockwell's

father in the late 1970s, early 1980s.

Mr Stockwell: I think you were in the same caucus, weren't you?

Mr David White: Absolutely, Mr Stockwell. I served on Toronto city council for a number of years as well. So I was being facetious when I said I would never go near the subject.

The Acting Chair: Thank you. We move on.

Mr Tilson: I'm sure you've gone over several times the audit report by the Ministry of Health, and I'd like you to comment specifically about how it happened—and we're going back to the late 1980s—with respect to the computer system that was purchased without tender, without a feasibility study, without quotations, the fact that these items weren't budgeted, and a number of other things. As well, the ministry allowed the organization, when there were unspent budget items, to use them to purchase capital items. I know that happened some time ago, but due to the very fact that it happened, I'd like you to comment on that.

Mr David White: In the comment where it says it's unbudgeted, I believe what the auditor is pointing out there is that, as you pointed out, the Ministry of Health in those days—not now, but in those days—permitted sometimes at the end of the year, if all the operating funds had not been spent, the non-profit group to make a submission with respect to purchasing one-time items of the nature that are described there in the report, and upon approval the organization could proceed to do it.

As pointed out by the auditor, we didn't undertake a feasibility study. If you'll note, the dollar amounts are quite high too and reflect what computers cost in those days. They're considerably cheaper now.

Mr Tilson: My question is with respect to procedures that went on then, and you're implying it has stopped. But I'm trying to determine why this happened. Without being critical of the organization—obviously, the ministry has set this procedure up and has provided funding, but this committee is concerned that the ministry doesn't seem to be monitoring what different organizations are doing, specifically your organization at that specific time. Clearly, that is the concern of this committee, when we read this report and there doesn't seem to be any monitoring process of an organization such as yours that can purchase equipment of that substantial amount of money without any authority, without any process.

Mr David White: No. They required us then to get authority to buy items of that nature. I believe what the auditor is saying is that what the ministry should do, if I understand his report, is require us to budget for that at the beginning of the year and not use that procedure. They've discontinued those procedures where they would allow an organization to come and use year-end money that way.

1130

The other criticism which was directed towards our organization was that we didn't get the necessary quotations that would be appropriate. As I mentioned, we are doing that now for anything over \$1,000 and, when it comes to Ministry of Health budgets, anything over \$500,

which is their requirement. Those are the procedures we now follow. The ministry, however, would require us to get approval. The further criticism in that section—

Mr Tilson: Before you go on to the further criticism, how long did this process continue? How long did this lack of approval continue?

Mr David White: It's not a lack of approval. The criticism was that we didn't get the quotations. The approval was always required by the Ministry of Health. I was just going to say, the further—

Mr Tilson: Are you telling me the ministry was part of this?

Mr David White: The ministry would require us, if we were going to use money that was not spent in a line, let's say, for legal or something, or for salary—

Mr Tilson: So the ministry knew that a feasibility study had not been done. Is that what you're telling me?

Mr David White: No. The ministry would require us to seek its approval if we were going to take money out of an operating budget that we had not spent in, say, the legal line or in the postage line. If we wanted to take those funds that we hadn't spent and we wanted to buy a year-end item such as this, a capital item—

Mr Tilson: I understand. They gave you a certain amount of money and said, "Spend it as you see fit."

Mr David White: No, no. Again, that's the further criticism that the ministry had of us. They said—

Mr Tilson: Are you saying that what is in this report didn't happen?

The Acting Chair: And could we conclude?

Mr David White: No, it's not what I'm saying at all, Mr Tilson. We're not denying the criticism of the auditor. We concede—and in fact we obtained approval to buy certain things. One of the things, however, they did criticize us for there was that we requested a certain amount of money for a computer and a printer and I think something else. Another item was—

Mr Tilson: No, that isn't what it says. You went out and bought it.

The Acting Chair: We're going to have to conclude fairly quickly, Mr White, please.

Mr Tilson: You didn't get approval.

Mr David White: Yes, we did get approval.

Mr Tilson: After the fact.

Mr David White: No, no. We got approval. One of the things we also sought approval for was to paint the office walls. We didn't paint the office walls. We bought—

Mr Tilson: Sir, the report says, "The budget request for these items was not approved by the ministry"—page 3 of the report. You didn't get approval.

The Acting Chair: Our time has expired.

Mr Tilson: Don't say you did; you didn't.

The Acting Chair: Time's expired, gentlemen.

Mr Marchese: Mr Crozier, I would like to give Mr Tilson the time to finish his question.

The Acting Chair: Great. There you go.

Mr Tilson: Thank you very much, Mr Marchese. Page 3 of the report says, "The budget request for these items was not approved by the ministry." What does that mean?

Mr David White: That would mean the budget request for these items was not approved by the ministry when we submitted our budget at the beginning of the year. Then the next sentence goes on to say, "Towards the year-end, the ministry allowed unspent salary budget to be used to purchase capital items." Then it listed the capital items.

The criticism was that we had asked for some money to paint the walls and instead what we did with that was that we bought some further computer equipment with it and left the walls unpainted. They said, "You should get that change approved by the ministry too," and we accept that.

Mr Tilson: Are you telling me that the \$15,000 for the laser printer and the computer system and the \$4,500 for the fax machine came out of whatever was left? Is that what you're telling us?

Mr David White: As pointed out here, it was unspent salary budget, yes.

Mr Tilson: So it wasn't approved?

Mr David White: It was approved because, as it points out here, "Towards the year-end, the ministry allowed unspent salary budget..." and that would mean specifically allowed. We would have on file a letter where we asked for that and we would have on file a letter where the ministry approved it.

Mr Tilson: We're talking about a capital expenditure, and that was not approved. Are you telling me that that capital expenditure came out of the moneys that were left over from the unspent salary budget? Are you telling me that that amount of money came out of that?

Mr David White: With the specific approval of the Ministry of Health.

Mr Tilson: So you don't agree with this report?

Mr David White: No, no. You have to understand what the auditor is referring to here.

Mr Tilson: I understand what the auditor is referring to, but we seem to—

Mr Marchese: I don't want to give him any more time.

Mr Tilson: Mr Marchese is cutting me off.

The Vice-Chair: I think Mr Marchese has withdrawn his offer of his time.

Mr Stockwell: Mr Wilson must have questions. They're champing at the bit there.

The Vice-Chair: We have only three minutes left of the government time; Mr O'Connor.

Mr David White: Madam Vice-Chair, if I can just point out, we would be happy to supply the letters, for the committee's benefit, in which the ministry gives us the approval to spend the \$15,000.

The Vice-Chair: We would appreciate that.

Mr O'Connor: The question I have for you is—and anything that you can answer today. I know that my

colleague Mr Stockwell had some questions and you're going to get back to him on it. If you could circulate them through the clerk—that's the process we go through—I appreciate that, so we'll have an opportunity to take a look at that.

My concern is that at the end of your spending, as Mr Tilson has given us to believe, there are huge pools of money that have been there at the end of the year. Is that practice still continuing? I know that it was rather more commonplace, but I don't believe that's the case now. In fact, I know that the Minister of Finance, the Treasurer, has said that process was to end a couple of years ago. Does that still continue today?

Mr David White: As I mentioned, the Ministry of Health, although it had that practice at the time, has made it clear more recently that if we have surplus funds because a staff person leaves and it takes some time to hire a new one and there's therefore some salary money left over, in those circumstances they just want the money back, and there aren't approvals for expenditures such as there were at the time these audits reported on.

With respect to our operating on surpluses, we have in past years had surplus funds that went unspent, and those were returned to the Ministry of Housing. However, times are tougher now and essentially our budgets are flat-lined. Nevertheless, costs are increasing to some degree—not as rapidly as they were—and as a result of that we end up a few dollars short of budget these days; at least we spend a few dollars less than the budget simply because the budgets are much tighter than they were before.

The Vice-Chair: I'd like to thank the witnesses for taking the time to appear before our committee today.

Mr Marchese: I have a point to make in terms of suggesting what we do for the next little while, in the next meeting. Could I suggest, as a process, that we allow the legislative researcher to include in the report that she's already done things that have been stated today that pertain to the report that has already been written and that we have a subcommittee meeting on Monday or Tuesday. Hopefully, we can arrange to do that early enough so that if there are changes that the researcher needs to make for next Thursday it could be done and that within the two and a half hours or so we would be able to write that report.

Mr Callahan: Can we send that out to Margie so that we can get her input on it?

Mr Tilson: That's the very point. I find it strange that a subcommittee would deal with these matters. Hopefully, the whole committee would be able to deal with the full report. I would like to hear the input of all members. My big fear is that—

The Vice-Chair: I think the suggestion had been that the full committee deal with the report next week.

Mr Tilson: Let me finish, Madam Chair. My big fear, as I've had from the very outset, is that we're simply not going to be allowed enough time to deal with this. Now it appears we're going to have one morning to deal with this report, which would have to be submitted that afternoon. Am I correct?

Mr Marchese: That's why, David, I suggested we

have a subcommittee meeting, which could last an hour, an hour and a half—

Mr Tilson: No. Any committee that I've been on, when we review a report—this is a report of the committee; this is not a report of a subcommittee. I would hope that if we don't have enough time to prepare our report—and it's our report; it's not the report of the researcher; she's here to assist us—after the next meeting, the members of the committee would agree to extend the time.

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I'm not in favour of a subcommittee preparing this report; I'm in favour of this committee preparing this report, and I expect full debate. We've spent a considerable amount of time on a wide range of topics from two ministries and two organizations, and I quite frankly think we'll need more than half a day to deal with that.

My suggestion is that we continue on next week. If, by some miracle, we can complete the report that morning, that's fine. If we need more time, hopefully the government members will concede that additional time would be given so that we can properly do the report.

Mr O'Connor: Just on that point, I would suggest that perhaps, because this committee has always worked in an extremely cooperative fashion, if there are areas that are of concern to any of my colleagues, they get to the researcher if they are going to be absent. What we've got is a preliminary draft report that the researcher has provided for us that might allow her to actually expedite the process she needs to go through, because it does take a great deal of time. Maybe we can assist in that way. **Mr Tilson's right:** Our researcher is writing this report for us and preparing it, so if there's anything we need to have put in there, it should be put in there quickly to help expedite that.

Mr Marchese: I have a sense of what Mr Tilson is getting at, but what I would propose doesn't preclude anything. I'm saying, let's meet as a subcommittee—the opposition has a majority on subcommittees—to discuss the report and whatever additional information we put into that report. We can take as much as the hour, hour and a half that it might take to do that. We'll see at the subcommittee whether there's any disagreement about what there is in the report that you might agree or might not want to agree on. At the end of that, we'll get a better sense of whether we can, in two hours and a half, complete the report on Thursday.

But rather than predetermine the conclusion, which Mr Tilson is suggesting we do—or he's suggesting, let's assume we might not get it done, so let's say now that in that event we will extend the discussion. I'm saying, prior to doing that, have the subcommittee, let's assess what there is agreement or disagreement on, and then get a better view at the next Thursday meeting on that, before we agree that we should extend these discussions.

The Vice-Chair: Mr Tilson, just before we go back to you, you made a statement about the fact that you didn't believe committees usually operated in this way. My only experience in dealing with this kind of situation, where you had a very tight time frame, was with the

select committee on education, which was in the previous Parliament.

In fact, in two of our reports we did decide, as a committee, that the steering committee, which had a representative from each caucus, would do the preliminary drafting with the researcher, and if any members of that particular caucus had ideas to contribute, they would do it through their representative. Then we came as a full committee in what was left of the time we had allocated to do the report.

Mr Marchese: We've done it often.

The Vice-Chair: This does not prejudice you in the way that you have to operate. I'm just saying that there have been precedents before in dealing with it this way.

Mr Stockwell: Thanks for not prejudicing us.

The Vice-Chair: No, I'm telling you it's an option.

Mr Stockwell: We heard his option.

Mr Marchese: We do that all the time.

Mr Stockwell: We don't want to do that now.

Mr Tilson: I'm quite aware it's an option, Madam Chair. I'm simply saying that this is a very important topic. The whole topic of non-profit housing is something that this committee has been working on for months and months over different periods of time. The work has always been by the committee and I, quite frankly, would like the input of other members of the committee.

Mr Marchese: You can come.

Mr Tilson: I know what you're saying, Mr Marchese, but I'm simply saying that I believe that more fruitful work can be done if we hear the input from all members of the committee, as opposed to a member from each caucus. I can tell you that our caucus would prefer that this topic be dealt with by the full committee, as opposed to by a subcommittee.

Mr Callahan: Over all the years I chaired, I don't believe that the committee was ever bound by what the subcommittee did. It had to be submitted to the committee for approval. I suggest it's the same thing here. If they want to go ahead and do a preliminary review of it—I would imagine that your Housing critic will be one of the ones on the subcommittee, and if that's the case, good luck to all of you; you'll be longer than two hours in your subcommittee. But then it can come back here and then we can throw it all out if we want. Anne will be unhappy if we do that, but—

Mr O'Connor: That's why I suggested we put any points we might have in there already, so that Anne might include them.

Mr Stockwell: There are a couple of problems, I think, in the subcommittee approach. I don't know if it's in camera. It probably would be a public meeting, I assume—the subcommittee.

The Vice-Chair: Actually, the public accounts by precedent and practice over the years has met in camera, with full committee even, to discuss reports.

Mr Stockwell: Yes, you see, that's even a difficult process that I think we're going through at that time, because of the public nature of this issue. By moving it off into a subcommittee, you even distance it further from

the public forum than I think you want when writing this report and that I'm certain the government members want, including Mr Wilson. They would insist this would be as public as possible. By moving it again now down a stage to the subcommittee level, it seems that—I'm not saying there's something you don't want the public to know or there's a coverup, but it gives the perception that you're trying to move it away from the public light, and I think that's a huge mistake.

The Vice-Chair: Mr Tilson and Mr Callahan were both at the public accounts committees from across Canada meeting last year, when this very topic was discussed, and there may have been some government members here as well. I think Mr O'Connor was there. We actually had this debate. One of the considerations—

Mr Callahan: Actually, nobody went except the Chair. That was the one that was in—

Mr O'Connor: No, it was here.

The Vice-Chair: I'm talking about the one that was held in Toronto. We had this discussion over whether the meetings to do reports should be in camera or not. The point you make was made at this. The other point that was made on the other side is that when the cameras and the microphones are not there, members seem to be slightly more willing to come to a consensus. Not that we would ever grandstand, but there seemed to be more willingness to get together on a report. That was one of the reasons for in camera.

Mr Marchese: Again, I understand what Chris is saying. I'm not sure I agree with him and I'm not sure if I understand fully what he really wants to accomplish by all of this. First of all, I want to propose that if three members of the Conservative Party want to come to the subcommittee, they can and should. That may not help you, based on what I think you're getting at, but if that helps, I think you should all come to the subcommittee.

But I would argue that even though that subcommittee may not be public, once you come into committee you can say what you like. That becomes part of the public process. If you disagree with anything that's in that subcommittee, you can then come to the main committee and say what you like to the public. If you think we may have hidden something, when we come to the committee you can say, "The NDP is hiding this, as usual," whatever you want to say, as you are free to do and you do anyway.

We should invite anyone who wants to come to the subcommittee. We're trying to facilitate, not obstruct. I think this will help the process.

The Vice-Chair: I was remiss in not pointing out that when we did this on the select committee on education and did it by committee, we did invite all members of the committee to participate, if any so chose.

Mr O'Connor: I just wanted to point out for my colleague and friend Mr Stockwell, who may not be as familiar with the report-writing process of committee, that quite often, especially when you get into a very time-limited circumstance, for example, a 125 order, where you have limited time—in fact quite often, subcommittee meetings were worked towards a report because you have

only a limited amount of time, 12 hours' debate. I'm sure you're aware of that. People have probably told you.

Because you can only put so much in there in that time frame, quite often the subcommittee actually makes up the entire committee, so what I suggested is if you have something you'd like to have put in there, you get the information to legislative research so that can be put in there right from the beginning so we have an opportunity for us all to have some full input into that process. I know some members of the committee aren't used to the committee process quite as much as others.

Mr Stockwell: You see, you're not used to dealing outside caucus. I understood that when you told me the first time.

Mr O'Connor: It's nice to see you back in the committee.

The Vice-Chair: That's the list of speakers I had on this particular topic. I would prefer not to have to do this by vote. Do we have a consensus that we could, in fact, have the subcommittee look at it, with an invitation and notification of all members of the committee that they may attend the subcommittee meeting if they choose?

Mr Tilson: Madam Chair, I'm unavailable Monday and Tuesday. I have committee meetings.

Mr Marchese: Okay, we'll take Chris.

Mr Tilson: So do you, Mr Marchese. You are Chair of the very committee that we're on and you haven't got the time for a subcommittee either.

Mr Stockwell: So Gary's got to go now.

Mr Marchese: We don't have to meet at 3:30. We could meet at 12, to 1:30 or 2. All right?

Mr Tilson: I'm simply saying you and I are on the very committee and you don't have time to sit on it.

Mr Marchese: I know, but we don't have to meet at 3:30. We can meet at 12, till 1:30. We've done that before. We do that all the time.

Mr Tilson: We could meet at 8.

Mr Marchese: Let's meet at 8 then.

Mr Tilson: Right.

The Vice-Chair: Mr Stockwell has asked that this be put to a vote.

Mr Marchese: Thanks, Chris.

The Vice-Chair: Mr Marchese, would you like to make it an official motion, because I think we had a suggestion, not a motion on the floor.

Mr Marchese: Madam Chair, I would move that Ms Anderson include in her report matters that have been raised here today and that we meet as a subcommittee, to which anyone is invited, on Monday or Tuesday when members are available at whatever appropriate time, 12 o'clock or 9 o'clock.

Mr Tilson: Madam Chair, if you're trying to do this by vote, my understanding is that when you have a subcommittee meeting, all parties have to agree, and I'm telling you the Progressive Conservative Party doesn't agree with the proposal.

Mr Marchese: David, you're obstructionist, really.

Mr Stockwell: Madam Chair, I don't want to create

such controversy, but I'd like to take a 20-minute break here so we can consult.

The Vice-Chair: Mr Stockwell, you well know if we have a 20-minute break that there cannot be a decision on that and I'm not willing to undertake—

Mr Stockwell: I'm not trying to do that. I want to talk to Margaret.

Mr Tilson: You have no choice.

The Vice-Chair: We haven't even accepted the motion on the floor yet.

Mr Callahan: Yes, but he'll get it on a vote anyway. I mean, if he asks for 20 minutes to confer with his members—

Mr Stockwell: Yes. I have to. She's the key player here.

The Vice-Chair: Mr Stockwell, I'm trying to get a consensus on this committee, which is at times very difficult. Would you please help me to understand what we are going to accomplish by a 20-minute recess?

Mr Callahan: He's got to talk to Margaret.

Mr Stockwell: So we can talk to our critic.

Mr Bisson: How come you guys have three minds in the Conservative Party?

The Vice-Chair: I think it has been clear that—

Mr Stockwell: I don't have to put up with this. It's a fair comment. Our critic isn't here. We're asking for 20

minutes to consult. I'll be happy to reconvene the meeting after the 20 minutes.

The Vice-Chair: We are not allowed to do so. We are only authorized to sit as long as the Legislature is sitting this morning, which means we cannot make a decision—

Mr Stockwell: I'm asking for the 20 minutes, Madam Chair.

The Vice-Chair: Okay, I would just tell committee members that when I call for the vote and Mr Stockwell asks for his 20-minute recess, that means that the steering committee can meet at its will next week at the call of the Chair, that they may make any decisions they wish to make on this and the matter will be brought for full discussion next Thursday. Is it the wish of the committee members present that they be notified of any subcommittee meeting next week?

Mr Bisson: Sure.

The Vice-Chair: Okay, I will now call for the vote.

Mr Tilson: Who made the motion?

The Vice-Chair: Mr Marchese made a motion.

Mr Stockwell: I'll ask for the 20 minutes.

The Vice-Chair: Mr Stockwell has asked for a 20-minute recess. This committee stands recessed for 20 minutes, which means we will stand adjourned till next Thursday at 9:15.

The committee adjourned at 1154.

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- Owens, Stephen (Scarborough Centre ND)
- Perruzza, Anthony (Downsview ND)
- *Tilson, David (Dufferin-Peel PC)

**In attendance / présents*

Substitutions present / Membres remplaçants présents:

Cooper, Mike (Kitchener-Wilmot ND) for Mr Owens
Stockwell, Chris (Etobicoke West/-Ouest PC) for Mrs Marland
Wilson, Gary, (Kingston and The Islands/Kingston et Les Iles ND) for Mr Perruzza

Also taking part / Autres participants et participantes:

Peters, Erik, Provincial Auditor

Clerk / Greffier: Decker, Todd

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service

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Legislative Assembly of Ontario

Third Session, 35th Parliament

Assemblée législative de l'Ontario

Troisième session, 35^e législature

Official Report of Debates (Hansard)

Thursday 25 August 1994

Standing committee on
public accounts

Health registration system

Chair: Joseph Cordiano
Clerk: Todd Decker

Journal des débats (Hansard)

Jeudi 25 août 1994

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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 25 August 1994

Jeudi 25 août 1994

*The committee met at 1009 in room 228.*HEALTH REGISTRATION SYSTEM
MINISTRY OF HEALTH

The Chair (Mr Joseph Cordiano): Good morning, members of the public accounts committee. This morning on our agenda we have the Deputy Minister of Health, Margaret Mottershead. Welcome to the committee. I understand you have a number of your assistants with you, and the assistant deputy minister. The best way I think to approach this is to introduce whomever it is that is appearing at that particular time.

Now I understand you also have a presentation. Could I get a sense from you of the amount of time you would require, so that we may structure time for questions by members of the committee?

Mrs Margaret Mottershead: I have with me the assistant deputy minister for the health insurance program and related services, Mary Catherine Lindberg, who's sitting here beside me, and Donna Segal, who is the director of the registration programs branch, and directly behind her, Larry Stump, who is the director of the health registration project, ie, the new card.

We have in fact prepared a couple of detailed presentations, because your invitation was specific in terms of wanting to hear about the health card, our plans, our operational approach and the way this whole thing might be rolling out. We are prepared to speak to that in detail this afternoon if the committee wishes. My presentation this morning is just basically highlighting an overview of the plan that we do have, but it doesn't get into a lot of detail. It's probably 45 minutes at most.

The Chair: Okay, then perhaps we could start with that and allow the second hour for questions by members of the committee, if we can proceed that way.

Mrs Mottershead: Okay, good. Let me formally thank the committee for giving me the opportunity to appear. I believe, as I mentioned just a minute ago, that I was specifically invited to deal just with the question of registration and the new health card and the process that we are considering for registration of all eligible residents of the province.

The introduction of the new health card does represent the most significant effort in combating fraud and maintaining the integrity of our health system. But as you know, there are other operational, process, policy, control, system and delivery aspects that are integral to the effectiveness and efficiency of any program, including the health insurance program.

Last year the committee carefully and thoroughly

reviewed the ministry's operation of the health registration system, the problems which had emerged following the registration in 1990 and the steps the ministry had taken to address the problems that had been identified.

From my reading of your report, the committee was generally supportive of some individual ministry initiatives. However, your report was clear on the point that the ministry didn't appear to have a formal strategic plan. I'm here with my colleagues from the ministry today to tell you that we do have a plan, a comprehensive management plan across the whole spectrum of the program.

The management plan itself is neither simple nor neat, because the issues that we have dealing with a population of 11 million people and with the individual and unique features of the individuals in that population are not neat. They're very complex and we are in fact in the process of trying to address many of the questions that are being posed as we go through the development phases.

I will admit to you that we don't have all of the answers. Our plan is carefully and closely monitored and the lessons we are learning in one area and the experience gained in managing change has been put to work in many of the other areas. We know our priorities, we know which of our programs need to change, we know what processes and procedures need to be reformed. Our approach is to move towards an integrated comprehensive response, and with your permission today we'll give you the details.

I do want to let you know that the plan basically focuses on five areas: (1) enhancements in the operation of the registered persons database; (2) the activities of the card validation project; (3) the operation of the investigative unit and the Medical Review Committee; (4) the health network for the drug benefit plan—and later on this morning and this afternoon it will be clearer with respect to the benefit that platform will provide to many of the aspects of health program integrity; (5) the new health card development and delivery process.

I want to take us back for a moment to the beginning of this year, January 1995. In January I announced a new organization for the Ministry of Health—

Mr Robert V. Callahan (Brampton South): What year?

Mrs Mottershead: I'm sorry, 1994. Of course, I'm moving forward.

Mr Callahan: I thought maybe your clock was out of order.

Mrs Mottershead: No, I'm a little wound up. I think that explains that one.

In 1994 I announced a new organization for the Ministry of Health. Two main features of the reorganization involved:

(1) The consolidation of programs and services in mental health to facilitate planning and delivery of services in the continuum of care from institutional to community setting, thus improving client service and coordination; and

(2) Of most relevance to today's discussion, the consolidation of all Ontario health insurance plan functions, services and responsibilities under the leadership of one ADM.

Prior to January 1994 resident eligibility for health insurance was the responsibility of one ministry executive, while the process for actually registering and the related procedures—training and verification of eligibility—rested with another executive.

On the provider side, the officials who helped to develop provider policy or procedures for implementing outcome of negotiated agreements, medical rules and schedule of benefit changes, for example, did not report to the same ADM responsible for payment of claims and the various verification functions related to the claims processing function. Although there was much communication and interaction between ADM groups, it is not the same as having one responsible and accountable head for the whole operation.

In March 1994 we had finalized an organizational structure and management plan for the investigative unit after extensive review by both internal and external experts on the skills, qualifications, mandate, authority and structure for the unit. The unit was moved from reporting to the director of internal audit to a direct reporting to the ADM of corporate services.

I'm pleased to advise members that by October we will have hired an additional seven investigators for a total of nine. The unit itself will have 11 people in it. Our recruitment efforts have yielded hundreds of qualified candidates—we had over 700 applications—and the screening and selection process has been lengthy, but I'm sure it will be very, very fruitful.

Since April 1994 more stringent documentation requirements and protocols have been put in place to demonstrate residency in Ontario and therefore eligibility for a new health card or replacement card if the current card was lost or stolen.

Since April 1994 a three-month waiting period for out-of-province applicants provides time for verification of eligibility.

Since April 1994 we have moved to the use of full name only to ensure integrity of the registered persons database.

Since April 1994 we only accept original documents as proof of citizenship, for example.

Tighter business processes now require in-person rather than mail-in applications in all but a limited number of circumstances.

We are extending and strengthening point-of-service validation of the card owner's eligibility for benefits.

We are providing read-only, on-line access to registration and health card information to hospitals and some providers.

We are improving one resident-one card verification, that is, one registration record with unique and complete information existing for only one individual.

The current health card integrity and validity is being further safeguarded by ensuring that cards relating to eliminated records are retrieved and that health care providers are able to distinguish ineffective cards.

We have concluded negotiations with the College of Physicians and Surgeons of Ontario on the operational support requirements for an expanded Medical Review Committee. The minister is in the process of finalizing the recommendations for appointment of members to the MRC, which will see this committee expand from eight to 24 members in September 1994. This will allow the establishment of six panels that can sit concurrently to deal with the issue of potential abuse of the system.

We have finalized negotiations with the Ontario Medical Association with respect to version codes on the cards which help to differentiate between effective and ineffective cards.

We have a program under development to improve the sensitivity of the physician monitoring system software.

We are providing on-line eligibility checking in pharmacies as part of the Ontario drug benefit program network.

We are pursuing and negotiating information exchanges with other ministries and other jurisdictions to improve the information integrity of our registered persons database.

We have initiated a public education campaign to encourage individuals to report changes of address and other registration information and, as you know, Bill 50 provides the legislative basis for fraud reporting and card repossession. The regulations, we hope, will be passed in September 1994 that will bring this whole process into the operational stream.

1020

As a result of the announcement in May 1994 by the Minister of Health that a new health card with significant tamper-proof and security features will be introduced in the spring of 1995, the ministry staff have been working very hard with colleagues from the Ministry of Transportation and Management Board on a comprehensive operational plan. We will share the details on the card features under consideration, the development work and the approaches to registration later today.

Finally, I want to let you know that as of last week, August 19 to be exact, we have begun issuing our transitional health card. This enhanced card now includes on the face the card bearer's date of birth, gender, issue date and expiry date.

I hope that the Chair and the committee members will give us an opportunity to thoroughly review the plan. We're basically in your hands as far as the procedures for the rest of the morning and the day. Thank you.

The Chair: I understood that you would have a

further detailed presentation. Perhaps we could complete this and then go to questions after your presentation.

Mr Callahan: There's a second part, isn't there?

The Chair: That's fine. We can probably ask questions at this point and then—

Mrs Mottershead: We can do the card presentation now, if you wish.

Mr Callahan: No, no.

The Chair: I would think so. I think it ties—

Mr Callahan: Let's deal with them one at a time.

The Chair: Let's just complete the presentation and then go to questions.

Mrs Mottershead: There are two major components in the card itself and it's hard to disentangle the question of eligibility and the registered persons database from what we're actually doing with the card rollout. So I'll ask Donna Segal, I think, to come up first to give you an overview of all of the system-related improvements that we've contemplated, and then Larry Stump on the health card itself, on the rollout and what we're contemplating. So if you'd like to come up.

Ms Donna Segal: Good morning.

The Chair: Good morning and welcome.

Ms Segal: Thank you. Perhaps it would be helpful if I outlined what my responsibilities are within the ministry at the outset.

My name is Donna Segal. I am the director of the registration and claims branch of the ministry. It's that part of the ministry that essentially manages all the OHIP offices across the province; therefore, we have responsibility for the claims payment operation that's contained within those offices for OHIP payments to providers.

We also register individuals, the customers, the residents of Ontario for OHIP eligibility. We also, on behalf of some other programs and agencies, process claims on their behalf, so it's an indirect function.

Lastly, we also facilitate on behalf of another branch within the ministry, but still under Mary Catherine's aegis. We facilitate the registration of physicians so that we have an integrated database identifying which physicians are functioning in Ontario.

There are three items of importance in the function of my particular branch and its activities that I think are of relevance this morning, and I'll speak to those after some brief background comments. The three areas that I wanted to address are the registration or the application for OHIP benefits process itself and the changes that have taken place to that process over the recent past, and also the anticipated changes in the future.

I also wanted to take a moment to speak to you about enhancements that we've put in place over the recent past to manage the registered persons database, which is the dataset of personal information as opposed to health-related information of all individuals who are registered with OHIP.

I wanted to speak to you if I could for a few minutes about the pilot that we've had in place for the last year on health card validation and our plans for the rollout of

that pilot starting in September. By way of background, I think you may have seen this slide actually last year, so I thought I'd just raise it. There are a number of issues that have come up in the past which create the situation in which we find ourselves right now. Essentially it's no secret that we had a great number of individuals registered, of families registered under OHIP, a great many more individuals than were suspected were living in Ontario.

We also eliminated OHIP premiums, which caused further confusion in terms of direct input of individuals, where individuals were no longer relating specifically to the OHIP management people but only to providers, so it caused our information to go a little bit out of control at that point.

In 1990 what we did was we introduced the original and unique health number for each individual living in Ontario, and we began the process of registering people.

Then 1991 was the year where we required and began using the health number as the basis for access to health services, so that 1990-91 was the transitional period where we were also using OHIP database.

In 1992, as you know, the registration program branch was established, and that's the precursor of my particular branch. In fact my branch has absorbed many of the functions of the registration program branch as well as aspects around OHIP district office management.

But the major piece of information that became available to us in terms of identifying where we had weaknesses and where we had strengths was brought to our attention through the provincial audit that took place in 1992. In particular the auditor took time to peruse and explore our registration system very carefully, also with the view to identifying where our weaknesses were and where we might improve them.

I guess what I want to do is focus on what we've done since then. As you know, we appeared before you at public accounts last year, and also there had been references to a report that was prepared by individuals in the previous registration program branch, which essentially targeted specific population groups within the province to identify what the potential for fraud or what the weaknesses for fraud were among those population groups.

It gave us valuable information in identifying how liable and vulnerable the systems were in relation to those population groups, and gave us good information as to what kinds of things we should be doing in revising our registration system.

The OMA agreement in August of last year put forward a number of options, some of which had already been begun within the ministry and some of which were introduced through the physicians themselves. They asked in the OMA agreement that we pursue vigorously the health card validation exercise and they asked us to take a look at the issues around physician reporting of cards that were ineligible or ineffective. Essentially those are the two major issues that came up from my perspective in that agreement.

Since then we have conducted a number of meetings

with various experts on anti-fraud. We've talked to various industry sectors that have common experiences in terms of maintaining effective card bases. We've also talked to technology experts who have indicated to us the things that we should be wary of, the things that are effective today and proven today, and also the things that are coming down the pipeline that are leading edge and where the system is, where the outside world is in readiness for those particular technology bases.

In 1994 we took to cabinet and received approval and ultimately announced that we would in fact carry out a major exercise, a major undertaking to reregister and therefore authenticate and verify the eligibility of each individual possessing a health card and OHIP coverage.

We announced that that would take place starting in February of next year. We also announced at that time different aspects to the health card itself, the actual structure and features of the card, and my colleague Larry Stump will make reference to those later.

1030

I just want to go back and indicate that we clearly understand, on the next slide, the Provincial Auditor has indicated to us that our individual-based registration system is the cornerstone, so we have a very important mission in ensuring that our registration process is an effective process. At the same time, we have a mission to review the information that has been provided to us in the past to ensure that it is both accurate and continues to be updated.

I thought I'd take a moment to review the Provincial Auditor's report findings and our responses to those. Essentially, the auditor indicated that we were using OHIP information to verify eligibility. Our response now will be that in the production, that is, the registration for a new photo card and in the introduction of a renewal cycle whereby on a repeated basis, on a regular basis, we will be reaffirming eligibility. We will access original information and reintroduce that into the system, so we will not be using old information but be using reaffirmed information as the process proceeds.

He indicated also that there was a lack of formal processes to update deaths, that is, to update or amend the registered persons database in order to incorporate deaths that had occurred. Since then we have put in place a regular monthly exchange with the registrar general where we in fact receive information which identified all those deaths reported to the registrar general and match it against their files, thereby updating and revising RPDB accordingly.

He also made comment that we lacked formal processes to update addresses, and more recently in February 1994 we have initiated a major address update campaign and I'll refer to that later. We also provide some exchanges of information with other programs within the ministry, and also potentially later with other databases with whom we are negotiating right now to identify where address databases differ. Then we'll have to go through a matching process to identify whose address on the dataset is accurate.

The auditor also commented that we had a slow start

in investigating the accuracy of data. We have spent a great deal of energy, at least over the last year, investigating reported potential fraud, and I'll speak to that more specifically.

He also made comment that we had 300,000 more individuals on our dataset than Statscan estimated as the effective population of Ontario, and we've revised our estimates so that we're within 1% of Statscan's statistics right now.

I guess most importantly, his comment was that we had insufficient controls, and the reality is that we've put in place much stronger long-term controls. We envisage through the introduction of the photo card, and particularly the renewal cycle with individuals coming in on a repeated basis, a much stronger set of controls and updating protocols.

By way of background again, it might be helpful for you to understand the relationship of the registered persons database with the other elements or activities within the ministry. Essentially, the registered persons database is the depiction in the centre, and that database contains information, that is, the health number and version code and the name, the gender, the date of birth, addresses—that's mailing and residency addresses; certain card status information—when the card was issued, when it was made effective; and certain citizenship-type information—what is the citizenship type or status according to criteria and categories given to us by Immigration Canada.

What I wanted to show in this diagram is the fact that RPDB is central to the management of ministry programs in the sense that it offers us identification of exactly who our client base is within Ontario. It's also altered and fed. Information is provided to us through Comsoc, through the registrar general, through other ministries, which allow us to alter and revise RPDB.

Moving clockwise from the top right corner, we are now in a pilot phase and will be introducing very shortly in a much wider and province-wide strategy point-of-service validation. That's point of service at the hospitals and at the physician and other providers' offices, most notably physicians and pharmacists as they provide or fill prescriptions, in order to assist us with validating that the card being presented by the individual acquiring health services is in fact a valid or effective card.

There's a relationship between the registered persons database and the drug benefit and claim system, again in the same way, looking at the assurance of eligibility and verification and the creation of consumer profiles.

The registered persons database gives us an opportunity to create demographic information which feeds into other programs in the ministry for planning purposes. It feeds into the health programs area within the ministry, which is used for resources planning, that is, for identification of where services are required and/or where physicians and other practitioners are required.

It links up also with other roster systems, on the far left at the top, and by that I mean systems which also register individuals for particular program purposes within the ministry. An example would be those individuals who are now registered under the assistive devices

program or those individuals who are now registered within CHOs. So essentially there's a match and there's an opportunity to look at how the individual within the RPDB corresponds to information within the various roster systems.

From a control perspective, from a management perspective, the important elements for me to carry out are due regard to the application process, and I'll talk to that, a need to ensure that the card and its features are as secure as possible and an opportunity to review at point of service the card that is being presented and that will be the basis for billings provided to the ministry and whether those billings, therefore, will be accepted or rejected, and afterwards the monitoring function.

If I can speak to the first, the applications group, we have for some time now been requesting original documentation which would identify the entitlement of an individual to be in Canada and in fact in Ontario, and also some indication that the individual actually resides in Ontario.

We didn't actually require the original documentation until late last calendar year if the individual presented in person. We still were allowing for the mail-in of appropriate documentation and not original documentation until early this calendar year. In March or April of this year we stipulated a requirement which would have individuals presenting, whether in person or through the mails, only original documents. So we had a staggered implementation of this original documentation requirement.

The current status is that individuals who walk in or individuals who apply for new cards or apply for replacement cards must mail in or walk in, present personally the original documentation. We do not accept any of those changes over the phone. When this information is provided to us over the phone, we ask people to either mail in corresponding information or visit one of our OHIP offices.

1040

Clearly the issue of original documentation was in direct response to comments from many experts who indicated that copied documents could easily be defrauded, tampered with and counterfeited. So we are looking at original as a much more secure method of ensuring that the documents in fact belong to the individual.

We have set up a major campaign in each of the district offices and we've prepared flyers that we've sent out and information in various handouts—in the chart here—which outline specific documents that we accept in each category. We're essentially asking for a—I don't have that in here. I can get copies of it. There's a smaller version done in a flyer, and I'll get you copies and circulate that over the noonhour.

Essentially we ask for three documents.

The first document is a certification of entitlement, and that could be anything from a birth certificate, to a Canadian passport, to an immigration document, to a Canadian affidavit of citizenship, to the certificate of Indian status: an indication clearly in a documented and understood document that has a registration number which we can follow back to the original data sources to determine

that this individual has in fact the entitlement to be in Canada.

The second piece of information that we require is information which links the individual to a bona fide address in Ontario, a residency in Ontario. Here we're looking for, it could be a letter from Revenue Canada, which is obviously sent to the individual and sent to the residency address. A common source of information here is the driver's licence. It can be information from a school in the instance of children where they're affirming that they're residents. There are a number of them, and I will circulate you this list which identifies what those documents are.

The third piece of information that we're looking for again confirms residency, but really is in fact the confirmation of the identity of the individual. We're looking for a photograph or signature so that we can compare the documentation with the appropriate name to the individual who is claiming the name and the signature of that individual.

So it's three pieces of documentation we're requiring. In the event that one piece of documentation provides two functions, we're allowing for that as well. It's the three functions that we're looking for.

Mr Callahan: This says a document with picture on it. What if somebody doesn't have a driver's licence?

Ms Segal: There are other identifications that have pictures.

Mr Callahan: Like what?

Ms Segal: But it doesn't have to have a picture—

Mr Callahan: Like what?

Ms Segal: Like employee cards. There are things like—

Mr Callahan: What if they don't have an employee card? What I'm getting at is if they don't have a picture, do they get—I mean, this sounds like a bank.

Ms Segal: I didn't say that.

Mr Callahan: You've got to have three pieces of information.

Interjections.

The Chair: Order, please. Could we wait—

Mr Callahan: I'm just trying to find out.

The Chair: Order. Could we allow the presentations to be completed and then we will get to questions.

Ms Segal: I'd like to clarify my comment. I said we were looking for a piece of identification which had a photograph or a signature, and there are many identifications that have photographs or signatures.

The second major activity we have undertaken that I referred to earlier was the address change campaign, which was put into full swing in February of this year. We have circulated in every physician's office and in many other public sites application forms inviting individuals to confirm with the Ministry of Health their—

The Chair: There are too many private conversations. It's difficult to hear the presenters. If you wish to have a private conversation, please take it outside.

Ms Segal: We've asked people to update the ministry

regarding our address information base within RPDB. We've asked them to fill in this card and send it in. We've made reference to this in many publications and information pieces that the ministry has sent out. We've also published a large poster, which is again displayed in physicians' offices, asking people to please update their address with us.

In fact I'm pleased to report that there's an escalation in the number of address notifications or change notifications that come in to us. We've received in the month of July 1994 alone over 16,000 indications of address change, which is a great improvement over activities that have occurred in the past.

We're using those address change notifications to revise and update the registered persons database. We are allowing, again, address changes to be conveyed both through the mail-in campaign, that is, through the submission of the form, and also by individuals who choose to walk in and present themselves to an OHIP office.

The deputy has referred to card changes that have taken place over the recent past, which also have contributed to cleaning up the registered persons database and averting confusion and potential duplication. There was a time when we allowed individuals to indicate which name they would prefer to have on their health card. We've now changed that as a policy and require the full name to be on the card. That has enabled us to pull out some of the duplications within the database and to clarify that William Smith is in fact the Bill Smith and the Billy Smith referred to through other applications.

My colleague will speak to the introduction of the transitional health card referred to earlier, which has recently been introduced, that is, as recently as last week, and demonstrate to you the features of that card. Essentially it's a card that is intended to, between now and the active reregistration and the new photo card which will appear—the registration process which will begin in February of next year, allow us to apply additional security features or identification features to the current card.

You can appreciate that these various changes in policy associated with the application and registration process have had an impact on customer service and have had an impact on transfer payments. We're asking people to give up original documents and it's no secret that many are afraid to trust their original documents to the mails. Whereas we used to receive most of our applications by mail, we're now receiving the greater proportion of our applications for new cards by walk-in.

This has had tremendous significance in terms of our customer service capacity in our district offices. The staff numbers in offices have not increased dramatically over the last while and yet their business function has. We are actively pursuing at this moment in time ways of extending business hours and providing greater service, all within our current financial capabilities.

The obvious implication also is on our transfer payments. With the introduction of these new application processes, some individuals whose cards are seen to be ineligible and who have been investigated as to whether or not the cards were actual or fraudulent cards—the cards have been invalidated as a result of their not being

able to identify or to prove that they are residents of Ontario. In effect, we've had a reduction in the number of individuals who have made claims on the system. We've had cancellation of cards, and I'll go into the specifics of that.

The next slide speaks to the enhancement to the registered persons database from a management perspective. We carry out essentially two sets of activities: a sphere or constellation of activities, what I've termed maintenance functions, what are we doing on an ongoing basis to ensure the integrity of RPDB, and the second set is follow-up activity or activity to investigate specific eligibility of individuals of population groups because, for some reason, we suspect that there's a problem.

In the first constellation of activities around maintenance, one thing I'd like to point out is that we receive periodically notifications from Immigration Canada regarding the individuals whom they've deported. At this point we have received 2,042 cancellations of cards as a result of information from Immigration Canada.

1050

Mr Tim Murphy (St George-St David): Can you just repeat that? I didn't hear that, sorry.

Ms Segal: We have cancelled 2,042 cards as a result of those deportation indications. It's important for me to indicate to you that we are actively pursuing, and just about to conclude, a negotiation with the federal Immigration department which will allow for the regular reporting and the complete reporting of these instances. I suspect that that will increase these numbers tremendously. Right now it's only happening on an irregular basis.

We are also notified, through several means, of individuals who actually leave the province. Clearly some people actually just call us and let us know that they're leaving the province, or we learn from them via address changes that they've left the province and we update RPDB accordingly.

The Advisory Committee on Institutional and Medical Services, ACIMS, agreement also is an agreement inter-provincially which provides for other provinces reporting to us those individuals who were once residents of Ontario but who have now registered in other provinces. In 1993-94 we processed over 51,000 out-of-province moves and therefore amended the RPDB base by 51,000 individuals.

We also receive death notification from a number of sources, identifying individuals who have died and therefore we should be updating our base in order to take that into account. The registrar general, as I said, gives us a regular monthly feed which we process. This year so far we have received over 30,000 cancellations of cards as a result of the registrar general's data feeds. We also receive information from providers, usually physicians, who, when they bill certain procedures, there's a flag on that billing identifying that they are reporting a death. There are almost 5,000 notifications from physicians as to individuals' deaths. We process each of those registrar general and provider notifications and update RPDB accordingly.

Duplicate card investigation: It's no secret that when we first carried out our registration effort in 1990-91, a number of individuals in frustration at not having received their first card may in fact have applied for a second, so we had several individuals on record with two cards. We have gone through a series of systems applications and direct contact with some individuals. We've produced almost 5,000 cancellations of duplicate cards.

Random sampling, I guess, is the last activity that I'd like to identify. On a random basis we review the eligibility of individuals who are canvassed. We determine the accuracy and whether or not the information is up to date, and based on information that's provided to us, we either suspend or cancel the card. We have researched so far almost 20,000 instances or individuals randomly, and of those random samples, we've only cancelled actually 15 cards.

We have suspended, on other hand, 331 cards. The suspended cards are cards of individuals who have not responded to a mailout by the Ministry of Health asking individuals to confirm their residency. When we do not hear from them or when the letter is returned to us with a return mail indicator, indicating that there's not that person living at that address, we suspend the card. So no billing activities occur opposite suspended and cancelled cards.

Mr Callahan: Excuse me, do they have to wait three months to get a new card if that happens?

Ms Christel Haeck (St Catharines-Brock): Can you hold your questions?

Mr Callahan: I'm sorry, these are things that I want clarification on. Maybe the—

Ms Haeck: We all—

Mr Callahan: It's a very simple question: Do they have to wait three months if the card is cancelled?

Interjections.

The Chair: Order.

Mr Anthony Perruzza (Downsview): Bob, we're all anxious. Were you like this when you were improving your card in 1988?

The Chair: Order. Could we please have some courtesy for the people who are presenting and for others on this committee. Thank you.

Ms Segal: We are still processing over 1,000 of those instances which bear researching need, so we have over 1,000 of these issues still in progress. That's on a random basis, and I would call that maintenance functioning.

By way of follow-up activity—that's specific investigations in order to look at particular individuals or datasets where we suspect that there's a problem—we carry out a number of things. We do some special projects, and by way of a special project, I've identified an example, a project around border residents where we took a sample of over 22,000 individuals within borders and asked for verification of residency and asked for verification of eligibility.

The result of that is that we again suspended 2,895 or almost 3,000 cards where we have received a return-mail indicator indicating that the individual no longer resides

at that address, and we actually cancelled 123 cards of individuals who were clearly not eligible for OHIP benefits. So out of 22,000 people, there are no more than 3,300 individuals who have been affected, who may in fact be ineligible or who are definitely ineligible.

We also carry out a number of activities, the remainder in that list, which I will lump together as essentially eligibility investigations. We investigate information that comes to us from the ministry's infoline. We also investigate tips that are brought directly to our attention, individuals who are indicating that they suspect the eligibility of an individual. We also follow up on all Health 65 card instances, where the health card has been mailed out to an individual whose death notification we have not received.

We also follow up in instances, for example, where we know that there are multiple residents at one particular address and where we suspect that it could be a mail post-office box drop, or some instance where it doesn't actually depict a residency status, and we ask for residency confirmation. We also look at individuals who have reported frequent losses of cards, and I'm just not talking about one or two cards but many cards. Obviously that's an indication that tweaks our curiosity and we ask for confirmation around that.

I know that you're probably interested in the infoline, so I can give you some explicit information there. The infoline in the ministry has received a little over 800 fraud-related calls, and 518 of those calls have been referred to the verification unit. The remainder are calls which had insufficient information to be followed up or in fact are commentary as opposed to asking for investigation.

The 518 calls that were referred to the verification unit, which is a unit under my branch, have produced—it's a mushrooming kind of thing; once you have a call related to a particular number, there may be other numbers related to that that you also want to investigate at the same time—so the 518 potential instances of fraud have resulted in fact in almost 1,200 cases that were investigated by our unit, and of those 1,200 cases, we cancelled 241 cards. We still have about 600 cases that are being investigated. They're in progress.

In our investigation process it's probably helpful for me to outline what we do. Once we are told that there's a problem with a particular card or a particular number, we send out a letter inviting the individual affected to provide us with original documentation which affirms their eligibility to be registered with OHIP.

If that letter is returned to us, as I've indicated earlier, we suspend that file, which means that claims coming in opposite that are alerted, brought to our attention. We endeavour to follow up with the individual who has presented to that particular practitioner, to identify if we can get them to give us the information that we're looking for.

If the letter is sent out and not returned to us but not responded to, we send a second letter out asking for further follow-up information, and it's as a result of the follow-ups for the second and third time with certain people that we have a large number of cases in progress,

593 cases in progress around the infoline calls. That's infoline only.

Other eligibility investigations: We've conducted approximately 13,000 investigations in the unit, and of those 13,000 investigations, in over 12% of the cases the individuals are in fact eligible. In over 20%—20.7%—the individuals are in fact ineligible and their cards have been cancelled. We have a large number that remain in progress to review the actual eligibility of the individuals remaining in those investigations.

1100

The last piece of information I wanted to provide to you on this is that we currently have over 20,000 suspended cards—not cancelled, but suspended cards—which alerts us when a claim comes in opposite those cards that they have approached the system and we should be approaching the provider who met with that particular client to try to elicit information which would help us to determine their actual address so we can pursue it.

Follow-up activity: That's what we're doing, and what are we doing now? You have been told this morning that Bill 50, which amends the Health Insurance Act, has allowed for the mandatory reporting by prescribed persons of health care fraud. Physicians and other practitioners will be such prescribed persons. So the reporting of potential fraud is mandatory. The voluntary reporting by other individuals is around such things as administration, the more administrative aspects of the card and its management.

The bill will also allow for the voluntary surrender of health cards, that is, the receipt by physicians of the cards and subsequent submission of those surrendered cards to the Ministry of Health. Bill 50 will also allow opt-in physicians to bill individuals whom they question as being eligible, who are unable to provide at time of presentation to the point of service, to the physician's office—they are unable to prove that they are in fact the individual that is holding the card.

Enhancements to the registered persons database management system: The only other aspect that I wanted to draw to your attention is that we are pursuing vigorously relationships with the Ministry of Transportation, with Immigration Canada and with the province of Quebec in order to allow us to match elements of their databases opposite RPDB so that we can identify where there are discrepancies in information. That will allow us to investigate why those discrepancies occur and to pursue the correction of the information in RPDB.

That is a summary of what we're doing to counter fraud as an ongoing management function within my particular branch. I could pause here now, if you'd like. I do have information I'd like to talk to you about around the health card validation exercise, which is quite distinct.

The Chair: I think it would be good to go to questions at this point since we've had a fairly lengthy presentation, and then continue with other presentations later. Now let me try to divide some time up here between the three caucuses.

Mrs Margaret Marland (Mississauga South): Mr Chair, just before we do that, could we find out what the

balance of the presentation is that we are not hearing at this point?

The Chair: Yes, sure. Could we get an indication from you about further presentations?

Mrs Marland: How much more and what is it that you wish to cover.

Ms Segal: The validation exercise I can summarize in probably 15 minutes.

Mr Murphy: Does that complete the total presentation? No, because Mr Stump has a presentation as well.

The Chair: To be fair, I think the members definitely indicate a preference to go to questions. At some point we will have to try to deal with the remaining presentations. Could you give me an indication? Are there one, two, three—

Mrs Mottershead: May I just add, in terms of the health card rollout itself, the presentation can in fact take about 10 minutes to let you know what we're preparing in terms of the health card. If you wanted to hear that, we can go back some time this afternoon to the validation, which is the rest of Donna Segal's presentation. It's up to you. We're in your hands.

The Chair: Why don't we deal with those in the afternoon and deal with questions at this point, since there is obviously this real interest in going to questions. I will divide up the remaining time in 15-minute intervals for each party and we'll start with the—

Mrs Marland: Why not just do a 20-minute interval and take an hour?

The Chair: Fine, we can do 20 minutes, starting with the opposition party. Mr Callahan and then Mr Murphy.

Mr Callahan: I'm going to have to ask these questions fast and you give the answers afterwards, because I've only got about seven minutes.

First of all, I'm pleased to see that there is an operation going on to try to determine this and I applaud you for that. I'm also pleased to see that you've accepted what Mr Decter came back and said he would accept on the last occasion. I raised it that previously you could put applications eight different ways; you could be listed eight different ways. I raised that and I said to him that's an opportunity for fraud, and I was pleased to see that he came back and agreed and that you're following up on that.

I guess the first question is, have you gone out to determine how many of those were in fact done that way? In other words, how many people took advantage of, for want of a better word, the eight-way opportunity that you could get eight health cards? I think a lot of people probably did. Have you followed up on that? That's my first question.

The second one I interjected. Suspended people, I take it from what you said afterwards, continue to get services from the doctor, but the doctor's supposed to get some more information for them. So I gather that they don't have to wait the three months, as they would if they left the province.

The other thing is, your letters that go out are a great idea, but you've got a problem in this province, I would

think, and in this country, with the question of language. If they only go out in English, or even French, they're not going to mean much to a person who's Portuguese or whose language is Punjabi. I'd like to know whether or not there's something to match that up with the name of the person who is involved.

The other thing I'd to suggest, and I don't understand why it's not being used: For instance, we have a whole host of processes like Might Directories, which I think are updated every year now on computer disc. It gives you the name and address of people. I don't know much about computers but I would think you can plug that in with the process you've got and this would zap people in and out. I doubt very much that you're going to get people who are going to, in the main, send in something about a change of address unless you make it mandatory, like they do under the Highway Traffic Act, where you get fined unless you do it.

There are also things like Revenue Canada, and I don't understand; it's not just Ontario that's losing money on this. I'm sure they're losing it all over the country, since we seem to be the kindest country in the world in terms of providing health care services to all and sundry. I'm sure the social insurance number must be updated every time somebody files an income tax return, the address and all the rest of it. I'm wondering why there are not linkages with—

Interjection.

Mr Callahan: Could I ask my questions, perhaps, without other members interfering, Mr Chair? They interfered when I tried to—

Mr Larry O'Connor (Durham-York): —exactly the same person.

The Chair: Order. Mr Callahan has the floor.

Mr Callahan: I think the purpose of all of us—obviously you people are working at it—is to try to ensure that the scarce money we have is being provided for people who are entitled to receive it.

Mr Murphy: Time's up.

Mr Callahan: It's not up. I guess finally, because I'm probably getting close to the period of time, I'm curious to know why you would not accept notarial copies of documents, as opposed to the originals. I'm not trying to make a pitch for the lawyers, but they could go before a lawyer or any official of a court or a person to get a notarial document done. That way you save the in-person attendances. They could be sent in. I would think a notarial copy should be satisfactory.

These are just some suggestions I'm making because I think it's incumbent upon all of us—my friends across the way seem to think I'm being partisan on this issue. I'm not. I think it's an important issue that whatever government's in power, it get a handle on this thing because it is a mess, and it's a mess that has inured to the benefit of the Conservatives when they were in power, to the Liberals and to the NDP. I think the answer is that we all want to get it straightened out.

1110

Finally, in my last couple of seconds, if somebody comes into this country as a visitor and has procured

private coverage and winds up in a hospital where that coverage is not sufficient to cover the stay, what is done by OHIP in terms of covering this person?

We seem to read in the newspaper every day that we're covering people who come here for all sorts of things and the bill is just absorbed. I think certainly Ms Lindberg would be aware of a case that I've sent to her from a constituent in my riding who had \$25,000 worth of coverage. She came here perfectly well. She arrived here, had a stroke, and before we could get a minister's permit to get her an OHIP card, she died and now she's being potentially sued by a hospital in this city for \$100,000. Yet, I read every day in the paper about people who come here and don't pay a nickel. I'd like to know, maybe, what that policy is.

The Chair: Mr Callahan, if you'd like a response, you have about a minute remaining in your time.

Mr Callahan: Maybe she could get me all those answers in that time.

Ms Segal: Would you like me to—

Interjection.

Ms Segal: In response to your questions directly—

Mr Callahan: The last one. I'd appreciate an answer to the last one, perhaps, on the record.

Ms Segal: First?

Mr Callahan: Yes.

Ms Segal: I'm familiar with the instance that you've raised and I've talked to your staff about this. It's truly unfortunate that the individual was advised to purchase only \$25,000 worth of insurance. But you're asking what OHIP will do. In essence, OHIP does not have the responsibility for providing coverage to individuals who are not eligible for OHIP benefits. So, it is by law indicated that we cannot provide coverage to those who are not residents.

Mr Callahan: Can I interject? If somebody arrived here illegally they get a card. I don't understand if, the minute they set foot on Pearson International Airport's tarmac, they're eligible for an OHIP card and I just don't understand how someone who took the steps to get \$25,000 worth of coverage—whereas when I fly Air Canada, the national airline, it has brochures from Voyageur travel saying to get \$15,000 worth of coverage if you're coming into Canada. So I don't understand.

Ms Segal: The only individuals who are actually getting OHIP coverage now, were they to come into the country, are individuals who are legally entitled to stay in Canada, who are either permanent residents or who are certain categories of temporary residents which we've explicitly specified. The individuals you're referring to: A landed immigrant would have coverage, an applicant for refugee status would have coverage, but not an individual who's a transient or a visitor.

The Chair: Mr Murphy.

Ms Segal: What about the other question?

Mr Murphy: He's done.

Mr Rosario Marchese (Fort York): Is she going to give answers to the questions?

Mr Murphy: Yes, later today.

Mr Marchese: Later on. Okay, that's really great.

The Chair: Mr Marchese, for your information, the Liberals have decided to divide their time evenly. Mr Callahan's time is up.

Mr Callahan: We're a very agreeable family.

Mr Marchese: Sure, I understand.

Mr Murphy: Thank you for your information. I wanted to follow up on some of the information you did on investigations, your maintenance and follow-up functions. What I'm wondering is—you detailed a fair number of cancelled cards because of information from a variety of sources—have you gone back and checked those cards against claims against those cards and totalled up the sum of claims against those cards that were cancelled?

Ms Segal: No, I have not.

Mr Murphy: Do you know if anybody's done that? The point I'm trying to get at is that, obviously, the public debate has been focused on fraud in the system. Much of this activity is derived from a mixture of concern about fraud and the Provincial Auditor's comments. It strikes me as a reasonable investigatory conclusion to find out whether or not these cancelled cards have had claims against them in a period of time when they were appropriately cancelled. Are you saying no one's done that, because there you've outlined over 100,000 worth of cards, I would think, that have been cancelled in some six-month period of time.

Ms Segal: A couple of points: First of all, when we eliminate duplicate cards for one individual who has several cards, in fact, all we would really be doing is collapsing the health care costs under one particular number as opposed to three numbers. So, in that instance there wouldn't necessarily be "a fraud element" to the—

Mr Murphy: No. Absolutely. I'm not saying "necessarily," but you've got 2,000 deportees, 51,000 in other provinces, 30,000 in the registrar general.

Ms Segal: We do send cases for further investigation and potential prosecution on to the investigative unit, run by Mr Sudds. It is true that when they actually do the investigation and prosecute, restitution is an issue that is considered in the course of those—

Mr Murphy: But how do you know? For example, let's take the 2,042 cards you said are identified as deportees'. Presumably, you'd know from Immigration when these people were supposed to be deported. You could calculate, therefore, take a date and say from the time that you found out, from the time the deportation was ordered, what claims were made against those cards, and that total, if the 2,000 had \$40 million worth of claims—I don't know; I'm pulling a number out of the air—that would give you at least some evidence. It strikes me as a bit odd that you haven't done that at least to give you an inkling of whether there is some value in doing a follow-up. So you're telling me you haven't done that?

Ms Segal: That's a good point. I have not done that.

Mr Murphy: Can you tell me whether you plan on doing that?

Ms Segal: I think now that you raise it, it's important for us to follow up, at least do some trial runs against the cards of individuals who have been deported, just to check the system for possibilities of usage of the system when in fact they wouldn't have been eligible. I think it's really important to make the distinction that as long as an individual was, for example, a refugee claimant, in that process there is eligibility coverage. Once a determination is made that they're not eligible, at that point the deportation order might take effect and it's at that point that we would receive the notification. So it's unlikely that an individual would receive months of health services, but it's a good point you make and I think we will, just to satisfy our own curiosity on this, follow it up.

Mr Murphy: I want to make it clear I'm not saying because there is a claim it's necessarily a fraudulent claim, but it's at least something that gives you an indication of what to follow up. My concern is that we're going to spend \$130 million, I think is the number, on a new system without any really good, solid evidence one way or the other of what the extent of fraud in the system is and whether that new system will pay for it.

Here is an opportunity to provide at least a sense, because you've identified, through good efforts, I must say, approximately 100,000 cards that are worth cancelling. The interprovincial agreement—you said 51,000. I can think of an example in a place near Cornwall where there were 700-plus double- or triple-dipping circumstances. I'm sure there's a base of people where you can take the other provinces' claim record, match it up against a claim record here and it will give you a sense of whether somebody is claiming in two different jurisdictions, or whether two different people are claiming. I would suggest that you follow up not just in the "deportees" category but in all the other categories. Can you give me an indication that you'll do that?

Ms Segal: Yes. You have our commitment that we'll do that.

The Chair: One minute, Mr Murphy.

Mr Murphy: One minute, okay. I guess I'll deal with the new card process when we come to that. The border resident follow-up activity, you said you did 22,000. Was that a random mailing?

Ms Segal: Yes, it was.

Mr Murphy: And out of that you suspended almost 3,000 cards?

Ms Segal: Yes. I'd have to—

Mr Murphy: I guess when you compare that against your other random sample, you said you did a random sample generically, about 20,000, and ended up suspending only 331, and yet when you did a border resident check you had a suspension rate that was almost 10 times higher.

Ms Segal: That's right.

Mr Murphy: That would lead me to conclude that in border communities there's a problem, so what I'd like to know is—that's a big red flag to me—what are the plans to follow up? That's a greater than 10% problem rate in border communities. What are you going to do to follow up on that?

Ms Segal: The suspended cards for the sample of 22,000 in the border population are instances where we haven't confirmed, in fact we've received—

Mr Murphy: Absolutely.

Ms Segal: You're quite right in saying that the incidence among the border population group seems to be much higher than the incidence in the general population. I'm not sure that's actually a surprise to us.

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Mr Murphy: But wouldn't that lead you to conclude that that's in fact a focus of activity and that you should spend a lot of time checking out border community—

Ms Segal: That's right, and we are.

Mr Murphy: Okay, that's what I want to know: What does that lead you to conclude, and therefore what are you doing in respect of border communities?

Ms Segal: The random sampling that I told you about earlier is sampling sometimes province-wide and sometimes centred on a particular geographic area, and we've used the random sampling approach to investigate areas that are of potential concern. So, embedded within the random sampling also would be particular attention being provided to certain geographic areas.

Mr Murphy: Exactly, so this would suggest to me that you should send out 100,000 random samples focused on border communities. When you're getting a response rate of suspension that's higher than 10%, logic tells you that's where you concentrate. So are you telling me you're concentrating on border communities in the next set of mailings?

The Chair: You're exceeding your time. Mr Crozier.

Mr Bruce Crozier (Essex South): Thank you for the opportunity of meeting with you this morning. A more direct question: If someone has an emergency and they're admitted to hospital, would it be correct that regardless of residency coverage, whatever, they're injured in an accident and they're treated?

Ms Segal: Yes.

Mr Crozier: And if they're required to stay longer-term, if they have an injury that requires admission to the hospital and they stay and then they're found to be either an illegal immigrant or a non-resident, what happens then?

Ms Segal: At that point the hospital will talk about potential payment schemes with the individual affected.

Mr Crozier: But they won't withhold care.

Ms Segal: I would hope not.

Mr Crozier: Okay. I live in a border community and I'd like to talk about registration, but I can't do that without asking—

Mr Callahan: He's one you suspended, I think.

Ms Segal: So mail it in.

Mr Crozier: —about eligibility. I run into a number of what I guess would be landed immigrants, but they're retirees, someone who has decided to retire to Ontario. Provided they can qualify federally, then, they can retire to Ontario, having never contributed to the system, having reached an age when their care is liable to be

greater, perhaps, than when they were younger and yet be eligible for OHIP coverage or for—

Ms Segal: Are these people Canadian citizens who are coming back?

Mr Crozier: No, they're people who are United States citizens who decide to retire in Ontario.

Ms Segal: If they apply for landed citizenship within Ontario, upon their eligibility for landed status we would give them eligibility for OHIP, but not before they were recognized as being permanently entitled to remain in Ontario.

Mr Crozier: Exactly. So the point I'm making, as opposed to a question, perhaps, is that this is in fact happening: People who find that hospital care is either better or less expensive in Canada, in my border area, which is southwestern Ontario, are retiring to Essex county and enjoying the same weather, almost the same—they can go back and forth to Detroit, in fact, if they like. I guess it's just to point out that they've never contributed to the system and yet they can take up legal residency and be eligible. To me there's something wrong with that, but that's for another day. I merely wanted to comment on it.

The other thing, perhaps again as a comment, but you may want to say something: There's also a fairly large Mennonite community in my area. Subsequently, there are a number of missionaries. They do missionary work. They're very dedicated to missionary work and, as you well know, they may be out of the country for a year or more, they return to the country, having been lifelong residents up till that time, and yet they have to go through the three-month waiting period. They in fact may only be here for a relatively short time before they go back again, but each time they have to come through this three-month waiting period. I think that's unfortunate.

Ms Segal: There is one instance where that would not be the case. If, before they left Ontario to go on their mission, they applied for an extended absence from Ontario's health insurance coverage, we would provide them an exemption and when they came back they would be reinstated. But it's in the event where they actually don't apply but simply leave without indicating to us and getting confirmation from the ministry that their coverage has been extended while they're out of country—

Mr Crozier: How long is the exemption?

Ms Segal: It depends on the circumstance, but it can be two years.

Mr Crozier: I understand it's one year and they can apply to have it extended to two.

Ms Segal: It's two years, but it's one year and then reapplication for the second year.

Mr Crozier: And then again, and this is not a comment towards you folks, because I appreciate you being here, things happen that bother me and it's my first chance to speak to them. Except in the case where the individuals go to the newspaper and kick up a stink and then the ministry changes its mind, and I think I've written someone in the ministry recently—I'm concerned that on too many occasions our policy is driven by publicity rather than logic.

Ms Segal: I can indicate to you, in having to consider a number of instances that have come to my attention, that we are adamant within the area to remain within the eligibility policies. The exemption issue is one that troubles us greatly. On the other hand, there is a policy in effect—it has been in effect for some time—around the exemptions for people who leave the country and notify us that they're leaving the country. But we are quite consistent in our application of policy in relation to others who haven't applied for those extensions.

The Chair: Mrs Marland and then Mr Tilson.

Mrs Marland: You're going to advise us of 10 minutes, are you?

The Chair: Yes.

Mrs Marland: Thank you. Mr Tilson.

Mr David Tilson (Dufferin-Peel): You're going to be spending some time on the new system later?

Ms Segal: Yes.

Mr Tilson: It's estimated that there is fraud, billing errors and other losses to the taxpayer of almost \$700 million a year. The minister, as you have, Ms Mottershead, has indicated that the first card will come in the early part of next year and then they'll be spread out over a period of three years, and that it will cost approximately \$30 million a year and then \$19 million a year after that. I think those are the figures that have been given.

You're going to talk about the new system, but it's going to take a while, and I'm sure you'll assure us that the new system will have very little fraud and very little opportunity for billing errors, and I'll be looking forward to hearing that. But my concern is that over that period of time, the existing systems, whether these interim cards that you've spoken of—all the other cards are still going to be in the system. I need to have some assurance, as do members of the committee and members of the public, that this \$700 million a year in fraud and billing errors is going to stop.

You've talked about, well, you're going to hire—

Mr Perruzza: It's \$700 million?

Mr Tilson: It's \$700 million a year.

Mr O'Connor: That's the Tory estimate, though.

Interjections.

Mr O'Connor: Michael Decter never gave a number like that. Come on.

The Acting Chair (Mr Bruce Crozier): Gentlemen—

Mrs Marland: Let's agree not to interject.

The Acting Chair: Margaret, you're cutting into your time.

Mr Perruzza: There's a little thing called responsibility.

The Acting Chair: Gentlemen, please, do you listen to the Chair at all?

Mr Perruzza: Some days.

The Acting Chair: Today isn't one of them, right?

Mr Perruzza: Depends who's there.

The Acting Chair: Well, if it's me, I'll move and you can have someone else. David?

Mr Tilson: I hope that you'll take their time and give it to me for that loss of time.

I guess what my concern is, and you can dispute the figures, but it's a substantial amount of fraud. That's the information that's been given to us.

You've talked about, you're going to hire some more investigators next month, notwithstanding that Mr Decter came here last year and he assured us there were going to be all kinds of investigations done. I haven't heard of any, or at least I haven't read of any.

Mr O'Connor: We haven't got to that part of the presentation.

Mr Tilson: I haven't read of any in the newspapers. Mr Murphy has asked a question as to what you do when you find out a card's been cancelled, and I gather very little, if anything.

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My question is, what assurance can you give us, not with the new system but the existing system, that this fraud's going to stop?

Mrs Mottershead: Let me respond, Mr Tilson, by saying that the bureaucracy as well as the political arm of government that we work for are very much committed to a zero tolerance policy and any amount of fraud is just too much. So I will not debate the numbers but agree that we have to do our best to eradicate it in whatever way we can.

I was hopeful that this morning's presentation, particularly the presentation by Donna Segal here, would have given you a much higher level of confidence that in fact we are doing everything that is possible to deal with the issue of elimination of the duplication. Doing our random sampling, tightening up eligibility in terms of both policy and procedures in how you get your card and how you update your information in the registered persons database are real indications of commitment that we're trying to do our best.

In addition to that, and we'll get into a little bit more of a discussion this afternoon with a subsequent presentation, you will hear more about the efforts that we have under way, which will grow over the next year, around validation of the card and the integrity of the information at the point of service. I think that's another important feature that we have in this.

Mr Tilson: Let me ask this specific question then: How does the ministry intend to have individuals, where you feel that there has been fraud committed, reimburse the system?

Mrs Mottershead: Through the investigative process. We do have and we've gone through a court case or two already where restitution has been a feature of the judgement that's been brought into place. So that is one part of it, and the courts are dealing with that aspect—

Mr Tilson: We heard that last year.

Mrs Mottershead: —once we go through that. We do have examples; we do have some cases that have gone through. Our investigative unit is actually looking at over 500 cases and we do have, in terms of actual investigative, hard work, over 177 cases that are being pursued.

We have cases that are with a number of police forces right now and I can't comment on those, but we hope that as part of the judicial process, one, we will get the issue of restitution addressed.

The second part of that relates to the provider fraud or abuse issues, and through our medical review committee, with the extension of that, and the six concurrent panels that will be available starting in September, we will deal with that issue.

One of the things that we are pursuing as well—and I'm not confident in terms of the government's time with the legislative agenda. We certainly indicated in our response to the Provincial Auditor that we are looking at the possibility of changing the authority of the general manager under the health insurance program to actually conduct some investigations and introduce the notion of penalties for providers and others who may be found to be abusing the system. So we are pursuing some legislative things.

Mr Tilson: Mr Decter said much the same last year. Personally, I'm not confident as to what you're doing, and it may be because maybe there haven't been enough public relations going forth. But I haven't heard of a single charge against anyone since Mr Decter was last here a year ago.

Let me ask another question. There was an issue raised last year about the forensic accounting firm of Lindquist Avey and some other names making a report to you. Is that report available for the committee?

Mrs Mottershead: When we commissioned the report, we commissioned it on the understanding of basically two elements; one, internal security issues that were related to that. The Lindquist people were specifically hired to have a look at every single aspect of our processes and procedures to determine areas of weaknesses, and for that purpose we protected it under freedom of information and so on because it deals with issues of real security.

The second aspect is that it was very much intended to be used as part of the advice in development of a cabinet submission that dealt with the issue of the new health card, the security aspects of the new health card, as well as the registration process, so from my perspective it is protected information.

Mr Tilson: Can you tell us how it differs from the—

Mr Perruzza: Point of order, Mr Chairman: Can I ask Mr Tilson a question through you?

The Chair: No. We ask questions of our witnesses.

Mr Perruzza: I just wanted to ask him if he knew of anyone who's defrauding the system.

Mrs Marland: He's taking up our time.

The Chair: Mr Perruzza, that's not a point of order. Mr Tilson has the floor.

Mr Tilson: Can you tell us how this report differs from the task force performed by—I think it was the registration analysis report. Can you tell us how it differs from that?

Mrs Mottershead: Well, for one thing, the firm itself has very highly skilled individuals. One, they have

forensic accountants and, two, they have law enforcement officers, and their particular bent in terms of looking at it was from the perspective of what could potentially attract opportunities for abuse in the way we have set up the processes and procedures. In that way I do believe it substantially differed from previous studies, including the ones that we have done.

We certainly didn't have that kind of expertise on staff, and these people have all of the qualifications. So from my perspective it's much more rigorous in terms of the system elements and all of the components of the system, rather than looking at card population and trying to figure out through extrapolation methodology where the problems might be. Quite significant changes.

The Chair: Mrs Marland, I believe.

Mrs Marland: I wonder if I could ask you, Mrs Mottershead, about how much money the ministry has budgeted for health card verification measures this year.

Mrs Mottershead: In terms of actually segregating it down, the verification and analysis portion, including the validation, I would say is about \$1 million, in that neighbourhood. We can get more accurate information for you this afternoon if you wish that number confirmed.

Mrs Marland: All right, that would be excellent. I'd appreciate it.

Some of the questions I'm asking, I am asking on behalf of the member for Simcoe West, Mr Wilson, who is our Health critic. Mr Wilson is sitting on another committee and not able to ask these questions. How many Ontario hospitals now have swipe readers to determine the validity of health cards?

Mrs Mottershead: We've got pilot projects going on right now. The whole analysis and evaluation of the pilot project has been concluded actually, and we'll be rolling out a broader pilot over the next couple of months. There are currently four hospitals that have the swipe technology, and another eight have the interactive voice response system.

Mrs Marland: And how many hospitals do we have in Ontario?

Mrs Mottershead: Two hundred and twenty-three.

Mrs Marland: Are these four major hospitals in terms of size, and do you know which ones they are?

Mrs Mottershead: Yes, Donna can give you that.

Ms Segal: We have four. One is a major downtown hospital in Toronto. Two are the acute centres in Kingston. The entire city of Kingston—the acute facilities are covered through swipe. The fourth is—

Mrs Mottershead: Ottawa Riverside?

Ms Segal: No, Riverside is an idea. Memory escapes me, but I can certainly give you that information this afternoon.

Mrs Marland: Okay. That's fine.

Ms Segal: That's only the pilot stage. The pilot stage has been completed and now we're poised to roll out the implementation stage in September.

Mrs Marland: Do you have the money to ensure that every hospital has swipe readers?

Mrs Mottershead: We, as part of our activities and initiatives on the health card, have put forward a requirement to expand our pilot projects and have in fact considered a request to government for additional funds.

Mrs Marland: So right now you don't have the money.

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Mrs Mottershead: We've got the money that supports the pilots, but in terms of expansion, we are negotiating, I would say, with the Treasurer.

Mrs Marland: So right now you have money for the pilot project, which is four hospitals, but right now you do not have money to have swipe readers in all of the hospitals, or even the largest-number-of-beds hospitals in the province. That money hasn't been given to you.

Mrs Mottershead: I don't know how familiar people are with the whole budgeting process in government. We do have an amount of money that actually has been put into our allocation but is on holdback, pending the government's receipt from us of the complete plan and how many we want to do and that kind of thing. So there is an amount of money that has been designated but not made available, subject to a full plan development.

Mrs Marland: Okay. Is the amount of money designated enough money to cover all the hospitals, or a major number of the beds in this province, to be covered with swipe readers? You said the money hasn't been approved, and yet now you're saying the money is there in a special fund.

What I'm asking is, if you're introducing a new system and telling us that your verification system will work, how can it work if you haven't got the money to have the swipe readers in the hospital?

Mrs Mottershead: I'm confident that the government will. Like I say, the money is on holdback in Treasury and they're just waiting for a plan. Our commitment has been to try to introduce the reader technology to about 50 hospitals in 1994-95—at least that's the plan if we can move that quickly—and another 50 in 1995-96. That would in fact cover the majority of beds in the province.

The difficulty here—and we've had some experience in terms of our introduction of the Ontario drug benefit network—is that it's a lot of work in terms of hooking up to individual hospitals. You have, first of all, some of the difficulties inherent in hospital systems. They've got their own information systems and we have to try, first of all, to find a way to be compatible with that particular system without causing a lot of financial hardship on the hospitals to redo their systems. That's point number one.

Second, the information highway that connects the individual hospitals to the Ministry of Health database has to be put out. We're not just talking, pull a switch and it all happens. There is a lot of work that's involved here that involves the cooperation of the hospitals, recognizing their financial requirements and their ability to work with us on that.

That's the plan. The government has indicated an intention, as I said, recognizing that money is required for this, and it's just waiting for us to finalize the detail of our plan to access that money.

Mrs Marland: So you've told us there are 223 hospitals—

Mrs Mottershead: Yes.

Mrs Marland: —in Ontario and you've said that hopefully you will have swipe readers in 50 of them by 1995-96. What we're saying is that we've got 173 hospitals that won't have the verification measures complete in terms of the actual use of these new cards, because there will be that gap for another two years. So for another two years we really don't have this new system working because we won't have the swipe readers in the hospitals. I'm quite sure that the hospitals, because of the cutbacks, will be saying to you, "We can't have them unless we get the money from you."

On the one hand the ministry is saying, "This is the solution, because we're going to have new cards and we're going to have swipe readers," but in fact what you're telling me is we're having swipe readers for less than 25% of the hospitals in this province.

Mrs Mottershead: Let me just clarify or flag for the members the fact that I can name you 50 hospitals which, all lumped together, wouldn't have anywhere near the number of beds that one hospital we talked about that has been part of the pilot project, Toronto General, would have. So you have to think about exactly what it is that we're talking about. That's one.

The other hospital that is involved is Chedoke-McMaster, another very large teaching hospital where we feel that the information is really quite important to try it in that setting as well.

You just can't say we're only covering a quarter or a half of the hospital population. Technically you may be correct, but in terms of actually covering beds and population we'll probably have it triple that amount, as I mentioned.

Mrs Marland: But if I want to use a fraudulent card, if I want to use a card fraudulently, then I now know where I have to go to use it.

Mrs Mottershead: Well, you wouldn't be able to go for a triple heart bypass into a small, rural hospital. That's the other reality. It's the kind of service that you're going for if you intended—

Mrs Marland: Those procedures are being done in centres outside of Hamilton and Toronto, so I'm a little bit nervous about the fact that—

Mrs Mottershead: Donna may have other information that she wanted to add to your question.

Ms Segal: The only point that I wanted to add is the 50 by the end of calendar year 1994, we're pretty comfortable and confident that we'll be in a position to make sure this occurs. That's something that the government—

Mrs Marland: Gives you the money.

Ms Segal: No, approves our plans and allows us to move forward.

Mrs Marland: I know. But in fairness to you—

Interjections.

Ms Segal: Can I finish? I haven't finished.

The Chair: Mrs Marland, your time has expired.

Mrs Marland: In fairness to you, you are saying that you've got these plans, but in fairness to you, you're also saying that as of today you do not have the money.

Mr Stephen Owens (Scarborough Centre): That's faulty logic, Margaret.

The Chair: Thank you.

Mrs Marland: When it's up to the Treasurer, he's got lots of priorities for money.

The Chair: I have Mr Frankford, Mr O'Connor, Ms Haeck and Mr Marchese. Would you like to divide the time evenly among you or—

Interjection: Yes.

The Chair: Proceed on a one-by-one basis?

Mr Robert Frankford (Scarborough East): Can you clarify for me: We're talking about new cards. Are we also talking about new numbers? Or do we keep the same lifetime number that was the intention—

Ms Segal: I'm sure Mr Stump will speak to that this afternoon, but the intent is that you would keep your same health number.

Mr Frankford: So it is a lifetime number?

Ms Segal: It is still intended to be a lifetime number. That's right.

Mr Frankford: I'd like to ask about the question of expiry dates. My possible interest in this in the future will be apparent.

Ms Segal: Yes.

Mr Frankford: What does an expired card mean? Does that mean that I as the provider am going to be penalized because someone has not taken the trouble or, whatever the reason, has not gone through the procedures of renewing their card? I really have trouble with this, because the analogy with a driver's licence I think breaks down, the connection. I understand perfectly well that I've got to renew my licence and that I could be stopped by the police and all sorts of adverse comments could happen, but I don't see the analogy with the access to what is a citizen's right to care.

Ms Segal: I think, as Mr Stump will say this afternoon undoubtedly, there will be a procedure put in place to encourage people to come in before the expiry date actually comes, in approaching the expiry date. As a physician, were you to see the card, it would say to you that this particular card is no longer valid or eligible, and it would prompt you to ask, for example, the individual who's appearing before you whether in fact this is the most recent card or whether the individual has gone in to reapply and to renew their registration.

We need some kind of mechanism to ensure that cards and access to the system are maintained only by individuals who are in fact eligible. The expiry date is the most effective means of encouraging people to come in and renew their card periodically to ensure that continuation of proof of eligibility. I don't know how else to answer your question.

Mr Frankford: But, you know, and I'll just make it my final comment, as the provider I'm going to make a good-faith visit. You don't even have to respond, but I would just say, is there or should there be a good-faith

payment policy that I will get paid whether or not the person has gone through the procedures required?

1150

Ms Segal: All we're talking about is whether or not the claim that is made to OHIP as a result of the services is in fact covered by OHIP, so whether or not the individual is eligible to bill OHIP. It would be very possible for the physician to say to the individual, "This indicates that your eligibility has expired. If you still want me to treat you today, I have the authority to charge you for that," because this individual is clearly and could be evidenced through the validation scheme as not necessarily being eligible for services.

Mr Frankford: Well, I don't know if that addresses my question, but I'll pass on to the next person.

Mr O'Connor: On the red-and-white card that we have today, the bottom of it, I see the number that was issued to me because I had a job. I got this number many years ago because I got a job; didn't say whether I was eligible or ineligible or whatever. That's how we ended up with the 25 million cards under the Tory system.

Now the Liberals come into office, and the Provincial Auditor said in 1987: "Hey, we got a problem here 'cause we got 25 million numbers out there. We got a problem. We gotta clean this system up." So the Liberals said: "What we're going to do to fix this up is we're going to mail everyone in the province a card. Now everyone in the province is going to get a nice red-and-white card." Right?

Mr Perruzza: Liberal red and white, isn't it?

Mr O'Connor: Oh, it's a nice card, a nice red-and-white card. The problem is that there was no verification of this. And then all of sudden, of course, we realized that we've got a problem here. Now all of a sudden we realize that we've got a big problem with the Liberal red-and-white card and there has to be something done. The Provincial Auditor states that there are a number of cards out there.

How do we ensure that we don't follow the mistakes of the Tories and the Liberals when we go through to the next stage?

Interjection.

Mr O'Connor: How do we know that the plan is going to be there? Because I know we're going to be in government for a long time, so I want to make sure that we do it right.

Mr Crozier: You'll get your job card back.

The Chair: Order, please.

Interjections.

Mr O'Connor: I don't know if that's an answer to the question. Obviously they've got a cautious plan under way, and I want to hear some more of the plans.

Mr Owens: Those great business people over on that side built a power plant they still haven't paid for.

Ms Segal: The registration process this time—

Mr Owens: Where's Margaret Marland when you need the responses?

Ms Segal: —will take pains to ensure that everybody

who personally presents, who steps up to the counter and says, "I want to register for a card," will present documentation which verifies that they are indeed entitled to remain in Canada and are a resident of the province. It will be original documentation and it will be verified, carefully authenticated, to ensure that it hasn't been tampered with. And during the period, the interregnum between when the individual steps up to the counter and when the actual card is produced and sent out, there will be a short period of time which will allow us, as the system, to doublecheck in the instance where the same document is being referred to by more than one individual as their personal birth certificate number, so we will be able to verify any suspected cases of fraudulent use of the original documentation.

Mr O'Connor: Okay. So the Liberal plan was, if it went out in the mail, then it had to be right. What we're going to do is there's got to be personal presentation of the information, so it's going to be direct information; the person is going to have to be there in person and present it.

The question then I would have as an MPP: With the 100,000 constituents that we all have, give or take a few thousand, within our ridings that we represent, how can we possibly avoid the huge lineups that could be there presenting the information to make sure that we get it right, as opposed to the mail-out system that the Liberals did, and the Tories who had no system for the 25 million cards they had?

Mr Callahan: Is this a partisan statement, by any chance?

Interjection: Don't be cruel.

Mr O'Connor: Oh, not at all. Not at all.

The Chair: Order, please.

Ms Segal: In order to increase the number—

Mr Perruzza: If he said 700 million, it's not partisan.

Interjections.

The Chair: Order. Perhaps we should send some members to finishing school.

Ms Segal: In order to increase our service delivery network, we've enlisted the support and the assistance of the Ministry of Transportation. The Ministry of Health itself, through my offices, only has about 20 offices or 22 offices at this moment in time, and we're going to be enlisting the support of another approximately 360 offices or service agency outlets that are now controlled by the Ministry of Transportation. As Mr Stump will talk about, in ruling out the strategy and ruling out the actual registration process, we're looking carefully at what the demand will be on each of those offices so that we can make sure resources are available to minimize inconvenience and to properly serve the public.

Mr O'Connor: A follow-up question to Ms Marland's question about the hospitals and the fraud that takes place there: How many people go to the hospital directly to access the service and how many are referred in from another primary care giver who would refer them to the hospital? Obviously, then, the initial check of this card has already taken place before they even go to the hospital. And how many just show up on the doorstep

and that's their initial access point? Do you have any numbers on that?

Ms Segal: I don't have those numbers, no. I can't tell you that right now.

Mrs Marland: What are you saying? It's been cleared up at the primary care provider?

Mr Perruzza: Whoa, whoa. I wasn't permitted to do that. The rules are the rules.

Interjections.

The Chair: Order. No interjections. Order, please.

Interjections.

The Chair: Could we please carry on? We're cutting into Mr O'Connor's time. Mr Perruzza, you are—order.

Mr O'Connor: Thank you, Mr Chair. I'll pass the floor on to my colleague.

The Chair: I have Ms Haeck.

Ms Haeck: I actually want to follow up a comment that Mr Crozier made. I too live on the border and am aware, at least from some reports—the CBC actually had something done back several months ago relating to a Windsor physician who was aware that one of his patients was living out of country but had maintained either an address or a post office box or some sort of appearance of legitimacy for eligibility.

I'm just wondering how you're going to be able to capture someone who is originally Canadian but has been a long-time out-of-country resident, but maintains this kind of façade of legitimacy. Are you going to be asking questions around post office boxes, that those people who maintain that for postal delivery provide additional addresses to confirm where in fact they may reside?

Ms Segal: Yes. We'll be spending a great deal of time verifying the actual residence, where they live as opposed to where their mailing address is, as well. I guess the other point is that we're very much hoping the implementation of Bill 50 and its associated regulations will encourage physicians to report where they believe that an individual may not be a resident of Ontario.

In those reported circumstances I believe the physicians may or may not have known that the individual was not in fact a resident, but for reasons of patient confidentiality and the medical responsibility to provide service did not actually report this as a potential incidence of fraud. Bill 50 will make it mandatory that they do bring this to our attention. So their failure to do so would be seen as an illegal action, and we believe that will provide some impetus to helping us to identify those particular instances.

Ms Haeck: Very good. I also want to pursue another point Mr Crozier raised, because we have similar communities, as my mother-in-law who lives in Detroit asks about the weather and I say: "We have the same as you do in Detroit. It starts there and comes our way." It's sort of interesting that we have a fairly large Mennonite population and we do have a number of people who have inquired with my office, quite recently again, from the point of view of being missionaries, but we also have a fairly large out-of-country population that goes for at least three to six months to Florida or Arizona.

In your response to Mr Crozier you made a comment which, I must admit, in looking at some of your documents before has never quite twigged. You said that you can apply for an extension—

Ms Segal: Under certain circumstances.

Ms Haeck: So that someone who was leaving the country to be a missionary in Africa for a year in fact could in advance of leaving apply to you for an extension so they don't have to go through a waiting period?

Ms Segal: The short answer to that is yes, in that particular instance. That same circumstance does not necessarily apply to individuals who are leaving the province for pleasure or for non-employment purposes. But in the instance that was referred to earlier, yes, it's possible that they could apply for an extended absence for one year and then a second year extension.

Ms Haeck: Very good. That will in turn answer a number of queries I've had in my office and I think relieve a certain anxiety that is out there.

Ms Segal: Can I just also add that the other most frequent example of that is for Ontario students who leave to study elsewhere. Were they to apply, we also grant them extensions for up to four years for them to continue and pursue their studies outside the province. That's the other major category.

Ms Haeck: Very good. How much time do we still have?

The Chair: Your caucus has five minutes left.

Ms Haeck: I will ask one more question, then turn it over to my colleague. You raise an interesting point in your discussion, Ms Mottershead, with regard to the information technology and the fact that to date there doesn't seem to be a standardization of the technologies used by the various hospitals. I know that in talking to the nursing staff in the different hospitals within my riding, that's always been a point of controversy, because they realize that it's difficult for one hospital to talk to the other one, moving information about patients back and forth.

There was the recent discussion about the hospital economic development strategy, and I know that related to much more a procurement of supplies, but is there something envisaged to assist hospitals in moving to a more standardized form of information technology so that these kinds of information transfers will be expedited?

Mrs Mottershead: The answer to your question is yes. There is a major effort under way to standardize all hospital information. It's called the management information system initiative. The government put about \$10 million towards it two years ago. It's a five-year project basically to bring everybody up to line, to the same standard in terms of information classification, data fields and so on, right down to a common chart of account numbers, so that in fact we can now start comparing between hospitals. We have consistent financial reporting data as well as HMRI data, which is essential for us to do a lot of our research and evaluative work. So that's a major activity that's going on. It's going to take, as I say, another couple of years before all of the hospitals across the province are fully automated on the same system.

The Chair: Mr Marchese.

Mr Marchese: Mr Chair, I have five questions, so I'll resume those questions when we come back.

The Chair: Mr Perruzza is on the list as well.

Mr Perruzza: I'm passing.

The Chair: All right. Mr Owens?

Mr Owens: I'd like to go back at the swipe card issue that the member for Mississauga South raised. I'd like to get some information with respect to the pilot: the duration of the pilot; I guess some technical details on how the system will work; whether or not it's the ministry's view that you go hell-bent for leather to buy a whole bunch of technology that you don't know is going to work; what kind of check-ins you have with respect to the technology; and what will be the decision point as to whether or not the technology works with its primary function and whether or not it could be used for more advanced purposes.

Ms Segal: The actual swipe card project part of the pilot was initiated in approximately June of last year, 1993, and its evaluation was carried out and published early in 1994.

Frankly, it was quite successful in the sense that it provided, at a very basic level, "Yes, this card is a valid card," or "No, this card is not a valid card" information to the hospitals indicating whether or not—as to the effectiveness and the validity of the card.

One of the good features about this particular pilot and what we presume it will allow in terms of a larger strategy is that it gives us real-time access to RPDB, as the hospitals will actually be making inquiries of the then-current RPDB system as opposed to—

Mrs Marland: What does that stand for?

Ms Segal: Registered persons database. I'm sorry.

Mr Owens: Is it RPDP or RPDB?

Ms Segal: Registered persons database, so RPDB. It's "B"; there's a typo. I shudder. I'm sorry. Mea culpa.

The real-time access is an advantage in the sense that we're not checking the person's validity opposite some older information that's been batched and pulled together, but in fact at that moment when the inquiry is made. So it's a very important feature.

The results of the pilot were very supportive. We undertook the pilot in cooperation with the OHA and representative hospitals from the OHA, as well as the OMA. All the groups—the ministry staff and those staff—were quite comfortable with the results.

As a result of that, we've pulled together what are termed technical specifications, appreciating that different hospitals will want different aspects of the system to be available in their own hospital's circumstance. So we've given a basic technical description of what is required in order to hook up to the system. That is now what's being explored hospital by hospital in an explicit survey to identify and help us to determine what they're looking for and how they want to attach themselves to the system.

Mr Owens: Once my constituents are satisfied that we're dealing with the issue called fraud—and nobody to my satisfaction has quite figured out what the fraud is or

how much or who's benefited from it—the question they ask me is: “What's this going to do for my health care? How is this going to help me become a healthier person?”—

Mrs Marland: You won't have to cut off the seniors if you don't have the fraud.

Mr Owens: —“or maintain the current state of good health that I enjoy?”

Ms Segal: What we're talking about is the integrity of the system. What we're talking about is preserving whatever resources we are spending in order to provide health services to the people of this province. So the more that we can perfect our system to ensure we are providing services to those individuals who are eligible, and not necessarily providing services at our cost, at public cost, to those who are not eligible, it allows us to manage the system in a more effective manner and therefore ensure that we're being as—

Mr Owens: Will there be kind of live-time, real-time interactive health studies ongoing with respect to the efficacy of treatments, the efficacy of medications etc, through the use of databases?

The Chair: If I may just interrupt, that is a pretty involved question. The time has expired.

Mr Owens: The member for Mississauga South was yapping during my time, and I would appreciate an answer.

The Chair: I did grant you an additional two minutes, Mr Owens, so I would like to adjourn at this point for lunch and come back at 2 o'clock. We'll resume our proceedings then. Thank you, members of the committee.

The committee recessed from 1208 to 1410.

The Chair: Members of the public accounts committee, we'll continue where we left off this morning. Welcome back this afternoon, Deputy Minister Mottershead, and some of her colleagues whom she will introduce shortly, I would imagine. We'll continue with further presentations, I believe. We'll start with that and then move in to a questioning session after that.

Mrs Mottershead: Let me introduce Larry Stump, who is the project director for the health card registration and the new health card. Larry has a presentation. I believe the projector has been set up so, if the committee is comfortable, we'll go right to the presentation.

Mr Larry Stump: Thank you for the opportunity to talk to you about the health card. I'm looking forward to it. As the deputy indicated earlier this morning it is one piece, and just one piece, of a comprehensive and complex management plan for health care fraud. I think, from some of the discussion I heard during questions around the table, there's also a recognition that it's a continuum. The 25-million number, the 11-million number and what we're about to embark on now, is not the final answer. The management plan gets set, it gets updated on a regular basis and we keep moving forward on it. I think some of the things Donna has told you about give credence that it's an ongoing process as well.

I'm going to very quickly touch on a bunch of subjects. The transitional health card—give you a little bit more detail on that and show you a mock-up. We'll talk

a little bit about the health card; the three-year reregistration cycle; the five-year renewal cycle that will allow us to continue to make improvements in the system through that continuum; the in-person registration; and a little bit about our partnership with the Ministry of Transportation in order to do some good customer service things.

The background, I think we're all aware, is that in 1990 we introduced the current card. We very quickly registered everybody in the province to deal with the problems of that day. We had some difficulties and we continue to have some difficulties in verification of eligibility of people who registered at that time. Our subsequent assessments, in part due to the Provincial Auditor and consultants and internal studies we've done, is that we have to do a little bit of work on that card.

To cover off some of the points that are the highlights of Donna's discussion this morning, we've taken a bunch of actions on strengthening the card issuance and the controls around it. We're strengthening the card application procedures. We've conducted other verification activities in terms of data exchanges and our mailings etc. We've done our pilots on the point-of-service validation and, as part of our full package going forward to the government, we have the point-of-service validation, the health card and a number of other items in that comprehensive management plan.

The transitional health cards, as you heard this morning—the first ones—were sent over for production on the 19th and the new enhanced card is another item in that area.

We've strengthened the application procedures with original documentation. We've set standards for documentation. Donna discussed that and provided some handouts around our requirements on that area. We've trained our people. We are continuing to learn about documentation, worrying about some of the issues that were brought up this morning, and what types of documentation, in conjunction with other pieces, would provide a full package to ensure that only eligible people are being registered in the province. We've started bringing people in, when they lose their card or they need a replacement card or their card has expired, for an in-person type registration, so we've done an awful lot in the application process.

You've probably heard in the past, and again today, about our linkage with the registrar general in terms of death information so that we stop some of the practices of sending cards to people who are no longer living. We have formal agreements either very close to completion or in completion with other levels of governments in other provinces: ACIMS, the federal government Immigration. We have provided some opportunities for the public and providers to inform us of any abuse in the system, and we've enhanced our verification and created the investigation unit.

We've started one of the key initiatives in terms of the point-of-services confirmation of the validity of the health card so that no matter how many cards are out there, only valid ones will be eligible for services. We're not being as fast as I'm sure many of us would like, but I think there is a plan in place to roll it out, not only for hospi-

tals but through the interactive voice technology, to all of the providers in the province and to hospitals that would choose to use that rather than modify their existing system. So I think the bases are covered in that area.

We're introducing a photo card and that will allow our providers to make a visual check on people. They'll be able to see that when somebody comes in with a female's card, a male will obviously be caught on the spot. It is not going to be a perfect system but it's going to be a lot better than what we have today.

On the transitional health card—as I mentioned, we instituted the first of them last week; the 19th I think was last week—we've included the gender on the card, the date of birth, the issue date and the expiry date, so every card that's being introduced today now has a life and that life will be tied into the renewal cycle.

With the tighter registration features we've talked about in terms of applications, documents and now some visual indication on the card, I think we've made considerable progress in coming to terms with the issue even today.

Now we get to the meat of, I guess, my area of expertise: the new health card. The minister announced the new health card in May of this year. We're planning on starting the reregistration process in February of next year and we're in partnership with the Ministry of Transportation.

That slide doesn't fit very well. We'll hand out copies of the package afterwards. We have the population of Ontario, about 11 million people, to reregister over that three-year period. The question this morning came up of customer service and lineups and the rest of it. We'll talk about our strategy for spreading the population out over the three-year period and some of the things we'll be doing to minimize the lineups and making sure that people are treated very well.

Each person in Ontario will be receiving an invitation to renew and it will indicate to them, within 60 days, when they should wander into a Ministry of Health or Ministry of Transportation office. They'll appear in person at one of those offices with their invitation to renew. They'll have marked any indications of changes of address or corrections to information that we've previously collected on them. They'll be asked to provide their proof of citizenship, their right to remain in Canada, their residency and, as well, who they are. Their picture will be taken at the office and they will be asked to sign a declaration, understanding that the health card is the property of the government and that they have a responsibility to take care of the health care system as well as we do.

That information will be taken from the office and shipped overnight to a central computer. We will then conduct some additional verification activities and that will be part of a continuum. We're hoping in the short term to be able to augment our checking with birth certificates against the registrar general's file of legitimate births in Ontario. So if somebody has given us a birth certificate that's been manufactured and we weren't able to tell, we'll be able to verify that this birth certificate has only been used once, it belonged to the person and

that it actually exists in the records of the registrar general. There will be other items as well. We're looking at verifying with Immigration Canada the certificates of immigration we receive. So we're doing an additional, after-the-fact verification with other databases.

That information will then be sent to a card production facility and the card will be packaged up, put on a carrier and mailed to the individual. Essentially, that's the registration process you'll be seeing next year.

I guess we've looked at the health card project in three different facets. One is, how are we going to manage it—and by "we" I mean the Ministry of Health, our partners in the Ministry of Transportation and Management Board secretariat. We've set up a number of steering committees, interministry steering committees, and hopefully we're doing a good job of making sure that we do the right things for the right price and at the right time.

1420

On the left-hand side, we've taken a lot of care to include a consultation process and I'm sure that all three of the groups we're very concerned with get involved, and we'll talk a little bit more about that on the next foil, as well as the customer service delivery people in the 400 offices that are going to be involved.

We're very concerned that people get the service they're entitled to and that it's in keeping with modern customer service practices.

We've set up the expert advisory forum to represent three subgroups, and that's a group of providers, the people who are going to be on the receiving end of the health card presentation, the recipient that's going to carry it around and meet with the health care provider for services, and then finally a group of technical experts that can keep giving us the best advice available.

That process is broken out into three planned activities as well. We have a planning and design session coming up in September where we'll be asking people for input on not only the card design, the card contents, but the processes as we envision them. We'll be looking at having taken that input, going back to the group in January and saying, "We've taken your input, we've used our best judgement, we've taken our own input as well," and we'll be telling them exactly how the process is going to work before we actually implement it.

Then we're looking at a final, hopefully positive, feedback in the summer or fall of next year to find out how well we've done in that planning exercise. We'll be able at that point, with a limited number of invitations having been mailed out, to amend our processes and correct them as we see fit.

That's from the public side of the consultation. On the internal side, we have representatives from each of the regions and districts. We have members of OPSEU, the union that generally is involved in the service delivery, working on making sure the people who are going to be on the front line can tell us of their experiences today, and we can build on their knowledge to do it as well as possible. So we're not planning this in a vacuum from the people who are going to be delivering the service on the front line.

Essentially, the same three types of phases: We want to get their input before we start developing all the procedures and doing all the forms and issuing the invitations. We want to make sure they understand it and we have a lot of work to do on our training program for both our internal staff and the Ministry of Transportation employees, as well as issuer agents. Then finally, we want to get their feedback as to what's happening on the line, what's happening on the counter as we go through the registrations.

The small mock-up of the transitional health card will show you what it looks like, if you haven't gone in to replace your card, and if you do then this is what you will get from now until some time next year or perhaps the year after, depending on where you fit on the renewal cycles.

It's pretty hard to read on the foil, but essentially at the bottom you have the period the card is valid for, when the person was born and what was their sex. The version code—I think we've had some feedback from the provider community—has been moved up near the number so that it's very prominent, that the version code does exist and what it is.

In the new card, what we will be enhancing will be, in terms of content, a colour photograph that's taken at the site, your signature recognizing the terms and conditions attributable to the card—

Mr Callahan: Excuse me, if I can just jump in there, the one before is just a transitional card?

Mr Stump: Transitional. That's the one that's good for the next little while, and the next foil we have is a mock-up that doesn't look anything like what the new card will look like, but at least it shows the elements to you.

Mrs Marland: Is the number on the transitional the same as the number we have now?

Mr Stump: Yes, it is.

Mr Callahan: They've got that till they pass on.

The Chair: Will the colour stay the same?

Interjections.

Mr Stump: Are we open for questions at this point?

Mr Tilson: Musings by the Chair.

Mr Stump: We'll be adding the address, gender identification, issue and expiry date. We're looking at security features to make it a little more difficult for people to counterfeit the card, such as rainbow printing, microprinting, which is just very, very fine printing which makes it impossible to—impossible, there's nothing impossible any more—just makes it very difficult to reproduce and requires you to spend a little bit more money on your counterfeiting operation, and a hologram. We'll carry on with the mag stripe and we're planning on introducing a bar code as well for those hospitals that are very heavily into bar coding.

Mr Callahan: Is there any suggestion that cards have been counterfeited? You're putting a lot of effort into keeping them from being counterfeited. Do we have any evidence that there have been counterfeited cards?

Mr Stump: Like most of the fraud, we have a lot of

anecdotal evidence that people are doing things, whether they're tampering with them or whether they're making them up. There's been some suggestion, and I don't think it's a fraudulent intent, at one point you could get souvenirs made of your health card. They don't look anything like it. Nobody should take it, but what we're saying is we're trying to button down the system, so we're making it tamperproof. You're not going to be able to change your picture and substitute someone else's. You're not going to be able to modify the birth date, the gender. We don't want to open up a new door after we've spent an awful lot of money going through the process to close it.

Mrs Marland: But a lot of those decisions you haven't made yet.

The Chair: Can we save the questions till later? I'm sorry. Mr Callahan has asked a question. I know it's unfair.

Mr Stump: In terms of data content, we're fairly sure what's going to be on the card. We do want to make sure that the consultations we go through in September are very meaningful. If you want the bureaucrats and have taken input from a number of groups that made presentations to us last year, we've had an awful lot of input from the OMA over the years, the OPA, the OHA, and it's been an ongoing dialogue. What we're doing now are mock-ups based on what we believe is necessary, but I don't think we want to close the door until we've had a chance to talk to everybody.

Mr Murphy: Is purple the colour you get when you mix red, blue, green and white.

The Chair: Don't answer that.

Mr Stump: That would be the perfect bureaucratic answer, wouldn't it? There's a story behind that when we came out with the colours for these foils, and it goes back to a seminar held in June, but I don't think you're too interested.

Card features: Once again, we've got a whole pile of models under development. Some of this information moves from the front to the back and vice versa.

On the front in this particular example you have the digitized photo. We're exploring some exemptions, including children, people who don't want to have or can't have their picture taken for a variety of reasons, and we'll talk a bit more about that later.

We're looking at ways we can maybe make it a little more convenient for a family to register as a group, because, as you'll see a little later, the algorithm we're using for distributing the population would tend to break up the family into distinct units to register.

The bar code on the front we've talked a little bit about, and I think it'll be quite an effective card as well as hopefully somewhat attractive.

On the reverse side, what you see is a signature. That most likely will be captured at the time you have your photograph taken rather than added on after the fact so that, right from the time we've seen you, your signature is part of the record.

There's an enhanced ownership statement. I gather from our legal information we're told the ownership is

not quite as strong as it should be, that it's the property of the province of Ontario, and it is a right but it's also a privilege that can be revoked for misuse.

We've had discussions with the organ retrieval people as well as with the Ministry of Transportation; the organ donation indicator will also appear on the card.

We are planning at this point to include an address on the card in the hopes of making sure we keep the information current and that in terms of improving health care, maybe at some point in the not-too-distant future we can be able to do better mailings in terms of the breast screening exam programs and things like that.

Moving on to how are we going to get this out into the province, the message that I've been given quite loud and quite clear and I think all the people who are working with me have adopted with great enthusiasm is that we have to have a quality process. We were taking it very seriously that going into the process, and throughout the process, we're going to be constantly looking at it. We'll be bringing in experts as well to make sure we maintain the security throughout it. We want to do it as well as we possibly can do.

1430

Customer service: Clearly, the population is going to have to be a participant in this. We want to be seen as good deliverers of customer service and not the simple bureaucrats that get bashed in cartoons all over the place.

We'll be looking for efficiencies in terms of our target groups, and we'll be moving towards full operational capacity within the parameters set earlier, can we do it right and can we do it fast?

In terms of customer service, we're looking at convenient access. I think that's one of the primary reasons we've entered into a partnership with the Ministry of Transportation. Establishing 380 service points will certainly make it a little more convenient for the population of Ontario than the Ministry of Health's existing 20 offices. We are also doing quite a bit of analysis right now to find out where the population lives and where they've previously gotten their driver's licence in case there's a shift between residence and work to make it convenient for people to register. On the basis of that information, we'll be going back and looking at, as Donna expressed earlier, the hours of service, the days of the week that we're open in both ministries and where we may need new offices, and if that's necessary, then I think we'll be getting the support necessary to open those offices.

We're looking at a very aggressive and very informative campaign in terms of educating the public. It's going to be much more complex for the public this time, because last time everybody got a mailing and a bunch of ads that said please send in that form, and the message went through fairly well. If I recall correctly, you were always able to go to the post office or somewhere, your doctor's office, to get more forms. In order to manage the customer service component, as I said, you're going to get an invitation to renew. So you'll hear that people are getting new health cards. It may take as long as three years before you get invited to appear at one of the

offices and renew your health card. That's going to be a very challenging piece of the campaign.

The renewal cycle: We've talked a little bit about it. Nominally it's a five-year cycle. Actually it would be four to seven to average out and smooth the workload for the future.

As I've said before, key to this whole exercise is proving the process, making sure that we've got our documentation correct, that our verification activities work, that the processing is correct, efficient and swift, that our service delivery is good, and I think everybody's going to be fairly well motivated to do a good job of it.

We're taking special care to consider family groupings. I think in a family with two or three children, each of whom has a different birthdate, then nobody wants to walk into the office in January, February, March, April and May reflective of their birthdate. So we will be trying to package families together so you can go in as a family unit or one of the parents can take all of the children in.

We're giving consideration to seniors, perhaps who also travel, to make sure we're not inconveniencing them in terms of coming in to get their new photo card but at the same time making sure they get registered in—

Mr Owens: Sign-ups in Florida?

Mr Stump: I don't think they will be quite that convenient.

We've already started discussions with some of the agencies around the homeless people and some of the disadvantaged groups, and everybody I think who has worked with them previously in the last registration effort is going through our current changes, and so far it looks pretty well.

I'm going to skip over this one. This goes into explaining the MTO renewal algorithm.

The next foil will basically allow you to determine when you're going to get your own personal new health card invitation to renew. On the left-hand side you'll see date of birth, the first to the sixth, for example. If you are born on the first to the sixth of a month, you will receive your invitation to renew approximately two months beforehand. In other words, if your birthday is September 6, in July you'll receive an invitation to renew. If your birthday is September 6, you'll receive that invitation in 1996. If it's August 10, two months prior to August 10 in 1995 you'll receive your invitation. If you are drivers, if you look at your driver's licence right now for your expiry date, then you'll be able to figure this calculation out much easier. It'll tell you on there. That's what we'll be trying to coincide with. The purpose of that is, not only will you be able to get your health card, we'll try and tie into your driver's—

The Chair: Point of order?

Mrs Marland: No.

Mr Marchese: Go on. Please continue.

Mr Stump: Okay. If you're going in to renew your driver's licence, it would be very convenient for you in the same transaction or at the same visit to an office to be able to acquire your health card—a customer service

issue. Just to give you an idea of the requirements, if you look down the left-hand side, we've used the largest metropolitan area as an indicator, but these are catchment areas. For example, Kingston has a population of about 90,000 to 100,000 people. Its catchment area runs all the way down to Cornwall, so it's a very large area, and areas you're more familiar with cover a large geographical area.

On the right-hand side, and you'll be able to see that a little bit better on the paper copies, is the number of Ministry of Health offices to service those populations, the number of Ministry of Transportation offices and private issuers. So that'll give you an idea of the size of the exercise.

That's all the presentation material I have, Mr Chair.

The Chair: Are there any other presentations, or shall we deal with this section and then move on?

Mrs Mottershead: If you wish to deal with this section, we can do that. We just had a wrapup presentation on the validation project to get into more detail from Mrs Segal, and also some information on the drug network to show you the platform and the rollout on that, if the committee wishes to—

The Chair: I think we should ask questions at this point, unless members indicate otherwise.

Mrs Mottershead: We're in your hands.

Mrs Marland: I wonder, Mr Chairman, on a point of procedure, if—

Interjections.

The Chair: Order, please.

Mrs Marland: This week we've been sitting from 2 until 4 reviewing past reports and confirming them. I'm just wondering, because we have the deputy minister and her staff here, if we could agree today, because of the amount of time that's been taken for the presentations, which are important, to sit until 5.

The Chair: We certainly could, if there is agreement.

Mr Perruzza: Can we come back tomorrow?

The Chair: Unless the ministry officials—

Mrs Marland: Can we agree to sit till 5?

Interjections.

The Chair: Order. Let me ask the deputy minister if that is okay, because we did not indicate that would be case.

Mrs Mottershead: I think, if I can get an assurance that promptly at 5—actually, I'm hosting deputy ministers from provinces and territories and the federal government here in Toronto this afternoon, this evening and all day tomorrow, so—

The Chair: Good. Then we will—

Mrs Marland: Yes, but 5 would be okay?

Mrs Mottershead: Yes, 5 would be just fine.

The Chair: Order.

Mr Callahan: Is there going to be a ball game?

The Chair: God. Really. Like, talk about—

Mrs Marland: Okay, it'll be prompt at 5. We can agree to that.

Interjections.

The Chair: Order. Could I please have some order so we can—

Mr Perruzza: Perhaps we could go around the table.

The Chair: Would you like to take over on this seat so perhaps we could have a very orderly committee?

Mr Perruzza: If you're soliciting contributions, that's what I want to do.

Mrs Marland: Okay. It's 2:45, Mr Chair. Let's go.

The Chair: If you'd like to make a point of order, please raise your hand and I will recognize you.

Mr Perruzza: I'm responding to the suggestions.

Mrs Marland: Well, we've got unanimous agreement to sit till 5. Let's get on to it.

Interjections.

The Chair: Order.

Mrs Marland: We do; it's all-party.

The Chair: We will sit till 5, there's been unanimous agreement, or at least I gather there is, so could you please continue? We will then—

Mr Perruzza: I'm just telling you there isn't unanimous agreement.

The Chair: Mr Perruzza, would you like to make a point of order?

Mr Perruzza: Yes. You don't have unanimous agreement.

The Chair: Okay, fine, we don't have unanimous agreement. So we'll have a vote.

Mrs Marland: No, it's unanimous by party, not individuals.

Mr Perruzza: No, we should put it to a vote, Margaret.

Mr Callahan: All right, let's put it to a vote.

The Chair: There's no unanimous agreement, so therefore I am not able to do that.

1440

Mrs Marland: All right, I'll place a motion, if we're going to be like kindergarten. I'll move, because of the importance of this subject and the fact that there's a tremendous concern by the general public in this province on this subject, that we sit until 5. We have, graciously, the agreement of the deputy that she can stay till 5. I'm moving that we sit until 5.

Mr Perruzza: Does that mean we automatically adjourn at 5 o'clock?

Mr Marchese: Call the question.

The Chair: Order. Mrs Marland has placed a motion on the floor. All those in favour of Mrs Marland's motion?

Mr Perruzza: Do we automatically adjourn—

The Chair: All in favour of Mrs Margaret Marland's motion? All opposed? The motion carries.

Mrs Marland: Thank you.

The Chair: If we could then proceed, we will entertain questions at this point and then have a subsequent—

Mr Marchese: Mr Chair, I'd like to raise a question

of order. I would like to listen to the entire presentation and then ask all our questions at that point instead of doing it piecemeal.

The Chair: I asked that question earlier, and there seemed to be agreement around asking questions now.

Mr Marchese: Let's see if there is agreement. Is there agreement to proceed in this way and ask questions now and then continue? Is that what you want to do?

Mr Murphy: That's what I'm going to do.

Mrs Marland: I want to ask questions.

Mr Marchese: All right.

The Chair: Can we proceed to ask questions?

Mr Marchese: Yes, let's go now. They said yes.

The Chair: That's what I thought we had earlier. Would you like to entertain questions? We will have a rotation of perhaps 20 minutes for each caucus, and then we'll go back to the further presentation following that question period. So I'll turn to the opposition party first, Mr Murphy, 20 minutes from each party.

Mr Callahan: I thought we were going alphabetically.

Mr Murphy: Beat you this time.

The Chair: Your name begins with a Z. How's that?

Mr Murphy: I want to get an understanding of the process of issuing the photo card, if I can. Is the best guess at this point still that the photo card process will be about \$130 million? I read that. It may be wrong, but do you have a sense of what it's going to cost, the whole photo card process?

Mr Callahan: That's the transition, isn't it?

Mr Murphy: Let them answer; they're the experts.

Mrs Mottershead: The three-year registration process will cost \$30 million a year, \$90 million at the end of three years. The \$19 million has been a number that's been used, but that is the ongoing cost for renewal. Don't forget that after we do the registration of the full population, we will be contemplating a renewal cycle on an ongoing basis for the life of the project.

Mr Murphy: At some point or other, I think in 1993, there was a ministry report which calculated \$691 million as the amount of—I think everything was thrown into that: billing error, a few other things, fraud. Is there still a sense that that is an accurate calculation of the total slippage in the system for whatever reason?

Mrs Mottershead: Mr Murphy, I did mention this morning that I didn't come here prepared to debate numbers. I feel there has been a commitment made to eradicate any amount of fraud out there. Even \$100 is \$100 too much of the taxpayers' money, and therefore the assessment that we have, and the minister has made this statement publicly as part of her announcement, is that if you were to look at a number of cards that may be invalid for one reason or another and you applied an average hospital or physician cost to it, we estimate it, according to methodology that has been tested by the financial community, to have a potential risk of about \$65 million. Therefore, the expenditure of \$30 million a year to get into a reregistration and to produce a card that has all of the tamper-proof and security features to it, as

well as the improvements we are making, have made and will continue to make in the whole registration process, will in fact save the taxpayers in excess of \$30 million a year.

Mr Murphy: Now, that \$65 million is obviously based on a statistical average as opposed to an actual analysis of experience, because it strikes me from the questions I asked this morning about the 100,000 cancelled cards that were identified that you don't have a sense of what claims have been made on those cards. Am I right that for the bulk of those 100,000 cancelled cards you identified this morning, in fact those cards are not returned to the ministry's possession? You cancelled the number but the card's still out there.

Mrs Mottershead: Well, once the number is cancelled, it automatically becomes invalid, and that's the point to be made.

I just want to also add another comment, and that is—

Mr Murphy: I'm sorry. I just have a limited amount of time and I really want to focus on the answer to the question.

Mrs Mottershead: Okay.

Mr Murphy: When you say it's automatically invalidated, my understanding is you, from your ministry perspective, cancelled the number, but if I still have one of those cards with a cancelled number, from your perspective, and go to a doctor for services, unless the doctor is suspicious and checks, the person gets service on that number and it's only when the physician files a claim on that number that, at this point in time, in any event, it's discovered that claim is made on a cancelled number. Is that right, at this point in time?

Mrs Mottershead: There is that possibility at this point in time. I should let members know that half of the physician population, 11,000 physicians, have already expressed an interest in participating in the project, either IVR or swipe technology, and we are in the process of moving with that as quickly as we can.

Mr Murphy: Have you got a sense, for example in the last six months, the number of claims made against cancelled numbers in the last six months? Do you know that figure?

Mrs Mottershead: I know that in terms of the claims processing function, and this committee had a discussion about that last fall, the numbers related to version codes have been falling dramatically, and I think that's as a result of the large effort on the part of staff to deal with the validation and to weed out all of that.

Mr Murphy: But I was just asking a very specific question, which was, January to June of this year—to be fair, you've made efforts to try and get at a problem that's been identified. What I'm wondering is if you'd have an analysis from January to June of this year of claims made against cancelled card numbers. How much in total in that six month period?

Mrs Mottershead: We don't have the information right at the moment, but we can get it for you.

Mr Murphy: Okay, that'd be great. Thank you. I appreciate that.

Have you tendered for the photo card yet?

Mrs Mottershead: We are actually using the Ministry of Transportation system. What has happened is that they issued a tender several months ago on the driver's licence with the capacity for increased volume. That was a public tender and we're piggybacking on that particular business activity to produce, actually produce, the card.

Mr Murphy: One final question: I saw the information you were planning at least at this point to put on a card, and I know there was a discussion in our committee, without really a conclusion, to be fair, about whether or not additional health-related information could be included on a card, like a pharmaceutical record, you know, one of the issues being oversubscribing for seniors being a problem, and whether pharmacists then could use a card like that to have access to find out whether there's an oversubscription problem. Could you just explain for me and the committee the logic behind rejecting such additional kind of health-related information in terms of what you'd put on the card?

Mrs Mottershead: One of the major additions that we are contemplating, for example, the bar code, is intended to do exactly that. Hospitals have indicated that they wished it, and perhaps see the photograph when people present and have a signature as a specimen in their health record. They've been contemplating things like perhaps having blood type included in the record at the hospital that we can capture by the fact that we do have the spaces in the code to capture that additional information. Larry may have more information to add to that.

Mr Stump: I think in the example you were using in terms of the drug prescriptions, right now I guess 1,600 of the pharmacies are linked up to the health network, and I think there was an offer of a presentation a little later. All of your drug history, if you're eligible for Ontario drug benefit, is stored centrally. So whenever a prescription is filled under the Ontario drug benefit plan, then that date is analyzed and the information is fed back to the pharmacist and then either to the prescriber or patient, if necessary.

1450

Mr Murphy: I'm just wondering why this card technology wouldn't incorporate that.

Mrs Mottershead: The platform that is being built on the card technology is going to make sure that we can in fact integrate our systems to integrate health information. Also, because of the renewal cycle that we're contemplating, you can build an increased platform for more and more health information to be added.

The Chair: Mr Callahan.

Mr Callahan: You mean there's time left? Oh, sorry. I'll give it to Bruce; Bruce wanted it.

Mr Crozier: Oh, thank you. I don't want to appear glib on this, but I saw on the card that it says "sex" and I've heard the word "gender" used. Generally, when I see "sex" on an application, I answer yes or no. I wonder, seriously, if you might consider "gender" as opposed to the word "sex," if there's really no big difference.

Mr Callahan: I want three copies of that for his wife.

Mr Crozier: There were some questions that were

asked last September that the committee would appreciate hearing answers to, and one of those was, "What are the projected ministry costs for paying first payment under the J-8 rules (example, good faith payment)...?" I think it was brought up this morning. "Comment on the cost implication of these policies." Could you answer that?

Mrs Mottershead: I can't answer that. I don't have that information, but I will undertake to get it.

Mr Crozier: Oh, okay.

Mrs Mottershead: We have continued the J-8 policy, as you know.

Mr Crozier: Okay, and if you could give me a comment, sir, the chosen vehicle has been a photo card, but it has been suggested by others that a smart card with a fingerprint identification may be a better way. Was that looked at? If it was, why didn't we choose it? If we didn't look at it, why didn't we look at it?

Mr Stump: Definitely, a smart card was looked at. The ministry undertook a pilot in Fort Frances on smart card technology about three or four years ago. I guess as a result of that we learned several things. One is that the technology isn't generally available now in the provider community to use it. The technology is really not mature, either, in terms of reliability, standards and compatible devices out there. A lot of training has to go into both the provider community and the population.

I guess two other things are cost, the cost right now is still enormous, and, the final, that the information you're going to collect on your smart card has to be kept backed up as well, so that if you lose your wallet or you lose your card, you have to have a capacity to re-create that information in order for it to be useful. The information has to have integrity, and when a provider looks at it they have to be able to trust that it is complete, because an incomplete record is probably worse than none.

You need a central capacity in order to re-create that card at any point. If you have the central capacity and you have a network in order to maintain that central capacity and to re-create the card when necessary, then the utility of the smart card becomes somewhat a little less attractive. It becomes more of just an additional security device, because you definitely can make encryption algorithms and PINs and all of that sort of thing. But in terms of health care benefits, you're not gaining a heck of a lot, at least in this planning horizon.

With the introduction of the renewal cycle, then we felt that we can look at it again in two years, three years, five years as the technology develops and other people start infiltrating the marketplace with smart card reader devices and writer devices.

In terms of fingerprint, I think that is a viable option, as well as hand geometry and a number of other things. But once again, our providers are not trained fingerprint interpreters to make sure the swirls match. You'd be talking about high technology to do the matching. Most people can look at a photograph and be reasonably assured. It's a question of technology and practicality right now.

Mr Callahan: When we had these hearings, I had suggested that a transitional process, as opposed to the

one that you're suggesting here, would be something just as simple as this: I go to Canada Trust. I've got a savings deposit book. My name is signed on the strip. You can't see it unless you hold it under something as simple as an ultraviolet light, which costs peanuts. It would allow as a transitional purpose to have someone sign their name and the person, the provider, would put this under an ultraviolet light and if it matched as best he or she thought it did the signature that had been affixed, they'd be paid.

It seems to me that if you've only got—and I'm trying to be helpful, not critical—10 of these slash machines in the hospitals right now and you expect 50 next year and 50 the year after, we're still going to be a lot of hospitals short. Was any consideration given to something as simple as that? It doesn't seem to me that it's going to be any less effective than what you're proposing here, which we're going to spend an awful lot of money on just as a transitional type of thing, to then go to the photo card. Was any consideration given to that?

Mr Stump: Any system has got problems. We have an issue with the signatures with young children and injured people. We're back again into somebody making an interpretation on signature. On the security of the ultraviolet light, I think many of the bars have ultraviolet lights and I guess restaurants even make the tablecloths look whiter than white, so the security is limited.

Mr Callahan: Yes, but you're not getting medical services inside of a bar. What I was suggesting was that this was going to save a doctor having to spend money on maybe a slash machine now and find out in about two years' time, when you've got the permanent process in place, that there's something more advanced than the slash technology.

I'm sorry; it's a commendable effort to try and stop the fraud, but I'm concerned that the process we're using as the transitional process is something where we're just feeding money into the great black hole. We should have something simpler to go into the permanent process. The permanent process is the answer, obviously, and it's either the picture or it's a fingerprint, but I just find—it's my own belief, so you don't have to respond to it, because obviously they didn't consider it, I guess.

Mrs Mottershead: Mr Callahan. I think I'd like to respond to that by saying that a lot of providers, whether in hospitals or physicians in their offices, as regular individuals themselves are becoming a lot more comfortable with the swipe technology. I mean, you use it all the time in terms of credit cards, all kinds of things, and the physician population has indicated that's certainly something they feel comfortable with and there seems to be a preference for that, because it's proven. That's where we are.

Mr Callahan: So they all have them? They're expensive, I gather.

Mrs Mottershead: They're not that expensive. I don't have the actual per-unit cost.

Mr Callahan: I'm limited in time, so maybe you could just check that. I gather there will be a cost. First of all, how often will you renew the permanent card?

Mr Stump: Every five years.

Mr Callahan: Will there be a cost involved in renewing for the individual consumer?

Mr Stump: There are no plans to charge for replacement cards or the renewal cycle at this time.

Mr Callahan: So it will be free. I see. Okay.

Finally, because I think my time is running out, I know when the committee looked at this, we all considered why we were reinventing the wheel, as it were. Visa, MasterCard, American Express, all these cards have been around for a long time and have managed to put in place backup and protection to ensure that the use of them improperly, as opposed to non-payment, was not that great. Were there any discussions with these companies to use their technology, to piggyback on them, rather than set up our own whole system?

Mr Stump: There were a lot of discussions, I believe, with the banking community over the last year in terms of not only how they do things but what their experiences are with fraud. A number that pops to mind is that 53% of the fraud in the credit card business is as a result of lost or stolen cards. We were speaking to them. I think the minister, and the deputy has confirmed this morning—how big a problem are Ontarians willing to live with? 10% may be perfectly acceptable in the credit card business, or 5%, or some number that's manageable and you can deal with in terms of interest rates. I don't think the government is willing to live with 10% of a \$17-billion business, or 5%, or 1%.

1500

The Acting Chair (Mr Tim Murphy): This is your last question, Mr Callahan.

Mr Callahan: But if you factor in the cost, the annual cost, you're talking about a three-year cost which is fairly significant and then you're talking about a \$19-million cost thereafter. I think if we're honest with one another we'll realize that if it's \$19 million now, it's probably going to be twice that or three times that. You're projecting in today's dollars for the future. Was that factored in there to determine that maybe going with a piggyback or some system that's already in place, that if you factored in the money that it's going to cost the taxpayers of this province in the future for the renewals and all the rest of it, you might be prepared to accept that slight bit of leakage.

Mr Stump: One per cent of the health care budget is enormous, just absolutely enormous, and towards the cost of the card. I'm not aware of any discussions to try to have a health card-MasterCard combination.

Mrs Mottershead: I believe that not a lot of serious consideration was given to that, given that we have a card that gives you access to health services. We wanted to make sure that it is a distinct card and that people understand the value of having the card and the privilege that goes with the ownership of that card. It isn't just a banking transaction and it isn't one that you can use to get your groceries at the same time. We're dealing with the health care system here and there was an effort to concentrate it that way rather than open that up.

Again, I just want to stress and emphasize that the

whole plan here, in terms of the renewal cycle, the five-year, doesn't preclude other partnerships happening or maybe a card that has many more functions other than just health. There have been discussions in terms of one access card for government services. We're not there yet simply because the card itself is not the answer. It's all of the technology and all of the systems integration and all of those other things that go behind the card that have to be available and ready to make that kind of a possibility a reality. That's where we are today.

The Acting Chair: It's the Conservatives' turn. Who's going to lead the inquisition? Mr Tilson? Twenty minutes.

Mrs Marland: I was going to go first.

Mr Tilson: Oh, I'm told that Mrs Marland's going first.

The Acting Chair: Madam Marland.

Mrs Marland: We take turns.

The Acting Chair: We all bow before your authority.

Mrs Marland: It's very democratic.

After we get over the three years of the introduction of the new card at \$30 million a year, you said it's going to cost \$19 million a year annually from then on. Correct?

Mrs Mottershead: Yes.

Mrs Marland: We only have 11 million people. Are we saying that one card costs \$500,000? How does it cost \$19 million a year to issue cards to 11 million people?

Mrs Mottershead: You're breaking up the population, don't forget, according to the algorithm. What we have right now is a cost of approximately \$6 and change per card production. That's basically the cost of the card and you've got to take that into account. You have the related service function that goes with it, and that is the mailing—

Mr Perruzza: I get \$8.60 a card.

The Acting Chair: Mr Perruzza, order please.

Mrs Mottershead: I've just added the fact that we have, together with the card, a cost related to the mailing, the invitation, the customer service aspect of people behind counters actually serving people, the systems upgrade and continuing to serve that whole thing. It's an integrated process. You can't just separate that this is the cost of the card when you're delivering a full spectrum of service in order to get the card.

Mrs Marland: You said this morning when I was asking you about the swipe card, the swipe readers in the hospital—I notice in the minister's press release of May 3, of which I have a copy here, that she says, "Doctors' offices and hospitals will check the validity of cards with swipe readers and touch-tone keypads similar to those stores use to check credit cards." This morning you told us that you actually have \$1 million for health card verification measures for this year and you said that there is money, you understand, on hold in the treasury, but as of today there is no money that's actually been budgeted and allocated into your ministry for the hospitals and the doctors' offices.

What I'd like to know is, if we spend \$30 million a year, which we will starting next spring, on these new

cards and you have a large number of hospitals which, from your own confirmation this morning, won't have the swipe readers, are you going to ask the hospitals to buy their own swipe readers and are you going to ask the doctors to buy their own, or else who's going to provide them?

Mrs Mottershead: What we have been doing over the last several months is have the discussions with the physician groups and with the hospitals. For your information, a card reader only costs \$150, so I can hardly imagine a hospital that has a budget of X hundreds of millions of dollars—in some cases it's only \$40 million or \$50 million; in other cases it's lower than that—that would want the government or the taxpayers to add that kind of minimal cost to their budget for that service. I don't think we're going to get a lot of hospitals being bankrupted as a result of having to purchase. What the government is doing—

Mrs Marland: You didn't say that this morning. That's the point I'm making. I mean, a hospital obviously is going to need a number of them. If the hospitals are going to pay for them, and that's simply what I'm saying, is it your expectation that they will pay for them?

Mrs Mottershead: There are a number of elements to the whole swipe technology and I want to be clear about who is doing what in that field. The Ministry of Health is actually responsible and is going to be paying for—and part of the cost that we have in our budget now and that we want treasury to release from holdback is the cost of wiring our system from Kingston to all of those places across the province. There's a real cost there and we don't feel that it's appropriate to ask providers or the hospitals to participate in doing the information-paving to their doorstep.

Mrs Marland: What is the cost to provide the installation?

Mrs Mottershead: I really don't have that information. I don't know if Donna does in terms of—

Mrs Marland: So you've no idea what it's going to cost.

Mrs Mottershead: I don't have the information here right now, but we do know what it is going to cost.

Mrs Marland: Is the \$30 million a year the cost for the in-the-ground cable system hookup to the central information?

Mrs Mottershead: The \$30 million a year is not related to the card validation project, which is what we refer to in terms of the card swipe technology or the interactive voice response.

Mrs Marland: So the \$30 million a year is only for the—

Mrs Mottershead: It's related to the production.

Mrs Marland: The production of the card itself?

Mrs Mottershead: Of the card and the delivery of the card.

Mrs Marland: So how much on top of the cost of the delivery of the card is the cost of the delivery of the system, the actual hardware and whether it's telephone lines or fibre optic systems? Surely you must know what

the cost is going to be to have the system work once you have the cards. What is the price of the system installation in Ontario?

Mr Perruzza: How can they know that?

The Acting Chair: Please, Mrs Marland has the floor.

Mrs Mottershead: I just want to re-emphasize that the cost of the card production and registration is as has been announced. We have the other elements of the system that we've been talking about this morning, which includes the validation project with the kind of rollout, the 50 in 1994, another 50 in 1995 and, with the physician offices coming on stream, the 11,000 I mentioned, which are going to cost in addition to the amount of money that has been announced by the ministry.

Mrs Marland: I understand that, but how much?

Mrs Mottershead: That would be a few million dollars. I mean, it all depends on how quickly the rollout happens. It will be in the neighbourhood of perhaps around \$5 million.

Mrs Marland: For all of the installations from wherever you establish the information base to all the hospitals?

Mrs Mottershead: The installations that we mentioned this morning. I'm saying a ballpark of \$5 million. It could be \$5 million to \$7 million, depending on how many we do and the time frame and the rollout and how quickly we get it there. If you could do it all in two years, it might cost you \$10 million. If you wanted to do it over a longer period of time, obviously on an annual basis it would be a lot less. But that's the ballpark we're working with.

1510

Mrs Marland: In the same press release that I just read from, the minister announces that the amount in fraud is the figure that you just referred to, \$65 million annually. What I would like to know is, how many new investigators has Mr Sudds—I don't know whether it's directly under him or it's under your authorization, Ms Mottershead. How many new investigators have been hired to deal with the subject of fraud and abuse?

Mrs Mottershead: There are currently two investigators on staff, and I mentioned this morning that we had undertaken a public recruitment process. We've received 700 applications. We're in the process of short-listing those and going through the qualifications, and I mentioned this morning that we will have hired by September or October nine investigators. That's seven in addition to the two that we have.

Mrs Marland: Okay, so that's the eight that the minister announced in May. So we're going to get them about five months or six months later. Is that right?

Mrs Mottershead: The reality of what I've just said and the recruitment process and so on has brought us to this point.

Mrs Marland: I'd like to ask you about the situation involving the Akwesasne reserve. I have a memo in front of me that's dated February 15 of this year. It actually was sent to Donna Segal and it describes the potential for fraud at the Akwesasne reserve as "cryptic."

The memo states that 52 individuals are registered for benefits under three health plans: Ontario, Quebec and New York; 123 individuals are registered under Ontario and Quebec health plans; and 588 individuals are registered under Ontario and New York health plans. This memo is six months old and I'd like to ask you what the status is of this investigation. Was there fraud involved and, if so, how much, and were the police called to investigate this matter?

Mrs Mottershead: I know that Ms Segal has been the person who has been looking after this particular issue. She's had discussions with the investigative team and probably can give you a better sense because I've delegated that to her, and the investigation.

The Acting Chair: Ms Segal, please come forward.

Ms Segal: In the numbers that you just gave out, the 52 individuals who are registered and the 123 individuals who are registered are actual names, so we know the identity of those individuals.

Mrs Marland: Sorry?

Ms Segal: We know the actual names of those individuals. The 588 figure that you referred to is a statistical average. It's an assessment of how many of a larger sample might be teased out, identifying with those particular characteristics. So in fact I only have within my possession, or the possession of the branch, 52 names and 123 names relating to individuals who have multiple cards.

We've chosen to treat the analysis of this as constituents of a broader population, and we've done random samples of the various groups in order to address the issue of duplicate cards and appropriate eligibility for those individuals. In other words, of that group, we've asked individuals to please confirm their residency status, and those are under investigation right now.

Mrs Marland: Now this memo is six months old, so when you say they're under investigation now, was there fraud involved?

Ms Segal: The issue came forward to our attention as a result of one individual or a number of individuals having double cards, having two cards. The question you're asking is whether the individuals had a right in fact to avail themselves of OHIP benefits. The question from our perspective is, first, are they in fact eligible, before I determine whether or not there's fraud involved.

Now, in the case where I determine that any—

Interjections.

Mrs Marland: Tony, excuse me; I can't hear.

Mr Perruzza: I can.

Mrs Marland: Sorry, Donna.

Ms Segal: That's all right. Consequently, I'm not in a position to say whether there was fraud. I am in a position to say that is a regular course of our investigations. If we determine an individual is ineligible, we make reference of those cases to Mr Sudds's investigative team.

Mrs Marland: Are the police involved at this time?

Ms Segal: I have not brought the police into this. They normally would not be brought into this kind of

analysis. Our investigative officers within the branch are quite adept at providing the preliminary analysis. The next normal course of action is to refer them to Mr Sudds, who does work with the legal authorities.

The Acting Chair: You have about seven minutes left for your caucus, Mrs Marland.

Mr Tilson: There have been statistics obtained by the ministry indicating the number of doctors who have received overpayments going back a number of years. Most of those doctors you have investigated have paid those moneys back, for whatever reason. Do you have any specific information on that?

Ms Segal: I do not.

Mr Tilson: Not you, but does your ministry?

Mrs Mottershead: Yes, we do have information on the number of cases before the MRC. Is that what you're referring to?

Mr Tilson: I guess the concern is that the allegations that have been made that substantial amounts of moneys—and I understand in one specific case there was one doctor where an overpayment was made for \$462,543. That amount of money was paid back. No interest was charged. No investigation was made. No charges have ever been laid against any doctors. I don't know whether those are legitimate allegations or not, but perhaps that should be clarified for the committee.

Mrs Mottershead: In 1993-94, there were 27 physicians who were investigated. There were 21, as a result of that investigation, who were requested to repay a total of \$1.4 million. Those are the latest figures that we have.

What we have done in terms of the MRC is that in terms of prior processing, the ministry would wait for the results of the MRC and then deal with the issue of recovery of that money.

Mrs Marland: What's the MRC?

Mrs Mottershead: The medical review committee, which is a committee under the auspices of the College of Physicians and Surgeons, which actually does the investigation and the hearing once we've made a determination of some irregularities in the billings. So the Medical Review Committee in the past has had its finding, turns the information over to the general manager of health insurance and a process is started for collection.

Quite often that process has taken anywhere from six months to two years, plus. What we have instituted now is, the general manager will in fact start reduction of claims made by the physicians to the amount that is under question, so it's expediting the process. Rather than waiting for two years until that decision is made and then doing the recovery, we're saying we have sufficient—

Mr Tilson: If I could stop you, I understand all that. I do have the figures of 1993-94, \$1.4 million; 1992-93, \$2.2 million; 1991-92, \$2.1 million; 1990-91, \$3 million. So I'm aware of that. I'm aware of those repayment processes. I'm aware of the fact that there was a doctor who had to repay—I don't know whether he's repaid it or whether he's in the process of repaying it—\$462,000-plus. It is this that I'm looking for a specific answer to: It is my understanding that those doctors did not have to pay interest on those moneys.

Mrs Mottershead: That's right.

Mr Tilson: You're indicating the answer to that is yes. I also understand that no investigations or, indeed, charges were ever laid against those doctors.

Mrs Mottershead: I know that there were a couple of cases that had been referred to the OPP and that is the one that you may be referring to.

1520

Mr Tilson: Well, I'm even going back to 1990, which was the commencement of this government. There have been no investigations and no charges since that time.

Mrs Mottershead: With all due respect, Mr Tilson, I did mention this morning that we are looking at a number of other options that we want to present to government. One deals with the legislative authority. Right now, under the Health Insurance Act, we have no authority to actually issue fines, penalties or charge interest on accounts that are repayable. We are definitely looking at that to give the general manager that kind of power.

I believe I also mentioned this morning that the courts have in fact looked at the issue of restitution as part of that whole process of sentencing, and that—

Mr Tilson: I'm aware of the issue of restitution; however, you've answered the question and it doesn't appear that—I would hope in the future, and even in the past—there's nothing wrong with your investigating going back into the past—you would consider that. If it was done through inadvertence, that's fine, although hopefully interest would be paid. It's a lot for the doctors to get interest-free loans for that amount of money. But if there has been some impropriety, there's nothing wrong—and you do have the authority—in going to the police.

Mrs Mottershead: I absolutely agree with you, and one of the things that our investigative unit is doing, working with the ministry people in claims payment operations, as well as the MRC outcome, is looking at the repeaters. And if we in fact have the two or three, then it can no longer be a coincidence or an accident and we are going to be turning that material over to our investigative unit to follow up on. That's a decision that has been made.

Mr Tilson: How much time do I have? One minute. I hope you'll go further than that.

The final question I have—I have one minute left—is that if I lose a driver's licence, if I lose a credit card, if I lose any other form of licence, I'm in big trouble. Number one, I can't drive a car. Number two, if I lose my credit card and I don't report it, I'm in big trouble. Is there anything in your plans for this new system that will encourage members of the public to attach value and worth to the cards in the same fashion that they would to a credit card?

Mrs Mottershead: There will be a statement on the back of the card, and as part of affixing a signature, when you go and get your new card or your replacement card, that actually says that this is the property of the province of Ontario or the government of Ontario, and that this card is your key to the health care system. You should be

proud of it, you should protect it, and you have an obligation to report on incidents of loss or stolen—it's that kind of statement that we're developing. I can't give you the language right now, but that will definitely appear. A statement of that sort will appear on the back.

Mr Tilson: Unfortunately, we're not all girl guides or boy scouts. If you do not take some action with respect to a lost credit card or take some action with respect to a lost driver's licence, you're in deep trouble. No one in your system has that obligation to do that, and Dr Frankford this morning—I'll tell you who's going to get burnt: It's going to be the doctor.

The Acting Chair: Mr Tilson, I'll have to cut you off. I'll let you respond.

Mrs Mottershead: There is an obligation to report. I might just add that there is an obligation to report, and in reporting, I must reinforce the fact that it invalidates that particular card, so that it can't be used if it falls in other people's hands.

The Acting Chair: I have four members of the government caucus on the list. Am I to assume you're each to get five minutes?

Mr Marchese: It would be fair.

The Acting Chair: Okay, I have Dr. Frankford first on the list.

Mr Frankford: I don't think we should be getting into discussions of alternatives like smart cards, but I would at least like to remind the committee that we did look at other alternatives in the past such as a card-free system using universal primary care registration, but that's not what I would like to discuss at this time, because I don't think that's what we came here for. But I would like to ask some questions in relation to the mechanics of implementation and how it's going to affect my constituents, perhaps in relation to drivers' licence offices.

I have one in my riding that I know of. There is another one that I have mostly used over the years in a different riding, and I hear from Mr Owens that he has one in his riding. Now, these are serving, I would say, quite a substantial population. Particularly in relation to one, I just wonder about the sheer capacity of that office in terms of the space to add a substantial number of people coming in.

In addition, perhaps you could enlighten me about the arrangements of licence offices now. I think the ones I'm talking about are sort of private concessions, and perhaps you could tell us how you're proposing to pay. Is the payment on a per case basis, or is there a retainer? I'd be interested in knowing how that works and what the incentive is for the concessionaires to provide an efficient and effective service.

Mr Stump: The issuers are actually paid on a per transaction basis. If they're not a government employee, they're paid per unit of work, if you will, whether it's a driver's licence renewal or a vehicle renewal licence, or in the case of a health card, we'll have negotiated in advance of that a fee that's payable for reregistration activity.

Mr Frankford: Can you or will you set criteria about

the space available? One fears, you know, that there isn't room and people will be lining up in the middle of winter.

Mr Stump: For the last, I guess, almost two months now, we've been analysing the population of Ontario, the distribution, the demographics in each office's domain. We're trying to match with the driver's licence and where you got your driver's licence. We know the algorithms so we know when we're going to invite you in. We're being very careful to anticipate what the increased workload will be in the office.

At the same time, the Ministry of Transportation is moving from a three-year renewal cycle on their driver's licence to a five-year renewal, so they're seeing a bit of a drop in demand on the issuers. We're going to great lengths to predict what the demand is going to be and then we're going to map it back to the physical sites and tell people how many people to expect on any given day. So we're going to do a lot of work on that.

Mr Frankford: I'm just a bit concerned that it sounds unpredictable. On the one hand, this could be a nightmare for those operators who don't have the capacity and suddenly they're asked to provide more space and staff, whatever. On the other hand, for all we know this is an enormous windfall for people who happen to have got into that line of work.

Mr Stump: It won't be a surprise. Before people are rolled out, we'll have considered the accommodations, we'll have looked at the current customer service level, the transaction volumes and we'll predict how many people are going to show up.

At the same time—we've talked earlier about the quality process and customer service—we're not looking at, on day one of the invitation cycle, renewing everybody who's eligible. What we want to do is, we'll take it slow. We'll invite a percentage of the population and we'll alter our rollout schedule and we'll actually see what's happening. We're going to take our time to do it. If there are customer service problems, if there are waiting room problems, then we'll have time to deal with them in a real world.

The Acting Chair: You have about 30 seconds.

Mr Frankford: Okay. I'd like to ask another question, completely different, but on the question of Akwesasne and the native reserves. I understood—and I've raised this in the previous sessions with the previous deputy—that in fact the obligation to pay for them is a federal one. Even if we are issuing an Ontario health card for ease of access, should we not have some sort of code number which would enable us to identify them, so that we could bill the appropriate level of government, which I believe is not us?

Mrs Mottershead: The Canada Health Act is very explicit that the provision of health care services is the responsibility of the provinces within the framework of the Canada Health Act and therefore we're obliged to provide health services. There are some services that the federal government provides to on-reserve native Indians, and what we have been doing over the last little while as part of our aboriginal health strategy is to determine that

that separation, in terms of some real infrastructure contributions that the federal government makes versus the ongoing health service provision, is a responsibility of the provinces.

1530

The Acting Chair: Mr Perruzza, five minutes.

Mr Perruzza: I just wanted to go back to the whole issue and really pick up on something that Mrs Marland was talking about, and sort of the costs. When we look at this stuff we say, "Well, \$30 million a year," so it's \$30 million a year, and when I divide that into the population I get \$8.57 per card; you said it was \$6 and change. I guess my first question is, what does the \$30 million per year pay for and how does that get broken down? How much is the card and what do you attribute the other costs to?

Mrs Mottershead: The current estimate on the card is \$6.17.

Mr Perruzza: How come I get \$8.57 in \$30 million?

Mrs Mottershead: Because what you're looking at is the production. To produce the card, a plastic card with all of the features—

Mr Perruzza: What does the \$30 million include?

Mrs Mottershead: The \$30 million includes the fact that somebody has got to process your documents, has got to input your documents. You've got staff who are providing that service, you've got overhead, you've got mailing costs in terms of giving you that invitation, there is postage that's involved here and there's printing. There's the support network that actually produces that piece of plastic that you're going to walk away with. It isn't just the card production.

Mr Perruzza: Which gets to my next question, precisely. There's all this work, so how do you break it down? How do you develop this guesstimate that it's \$30 million? How much, for example, is the Ministry of Transportation paying? How much is it costing the Ministry of Transportation to renew a driver's licence per unit? I believe it happens every five years.

Mrs Marland: You should ask Mr Pouliot, not Mrs Mottershead.

Mr Perruzza: I presume that would be something that would be looked at by you in terms of developing your own guesstimates around this, because I don't see how you can say, "Well, it's \$30 million"; you know, in Italian we say, "Punto e virgola," and that's it and we're going to walk away. If you give us that, we aren't going to come back for more or we're not going to give you a refund, because there won't be any money left over.

Mrs Mottershead: Let me just be very clear. The reason why we went into a partnership with the Ministry of Transportation, in addition to the issue of access and customer service, convenience and all that, is because it does have some experience in dealing with production and also in dealing with a large volume of registrations. The estimate on the \$30 million includes all of the other factors around the card. Whether the people are in Ministry of Health offices or in an expansion of a driver-issuing office is really immaterial because that's part of the infrastructure to support that.

Mr Perruzza: Let me tackle this from another perspective, okay? If you were to say to me, "Anthony, go away and figure out how much this is going to cost per card," I would say to you in very simple language, "What are the things that I need to factor in?" So, could you give me a list of the things that you're factoring into what this card would cost?

Mr Stump: May I? We start with the computers in the offices. We have to figure out how many there are out there for drivers' licences, for example. We know how many we have to add in the Ministry of Health offices; the number of cameras on the sites.

We have to buy the signature equipment. We have to perhaps make accommodations changes, changes to the counter to put the equipment in. We might have to do other modifications for electricity. We have to put telecommunications facilities in to handle it. We have to set up a call centre for people to phone in. We have to be able to move those calls around among the various offices so that people can handle the peak loads, so we can move a call from Sudbury to Kingston, for example, if there are available operators.

We have to provide technical help to the MTO agents if there's a problem with their computer or there's a question of policy interpretation until people are put in place: Is a photocopy of a passport legitimate? There are the training costs. There are the accommodations for the card production equipment, a big fixed cost shared—

Interjection.

The Acting Chair: Mr Perruzza, you've used up your time. If Mr Marchese is prepared to let you have some—

Mr Marchese: One minute of my time.

The Acting Chair: Please go ahead, Mr Perruzza.

Mr Perruzza: How do you sit down and say moving a phone around is worth X number of dollars and that's the cost we attach to that? I guess in my history, when you cost out things you say, "Well Jeez, you know, in some things there's 10% waste and in some things there's 20% waste and in some things there's 50% waste," so you factor that into the price. What's your factor in all of this, and couldn't you be off 50%, 60%, 70% either way, come in way under or way over what you're suggesting we should take away as Holy Grail in terms of what the costs of this new system will be?

Mr Stump: I would love to come back here in a year and say we were 60% under budget. Normally—

Interjections.

The Acting Chair: Order, please.

Mr Stump: Normally, rarely do you underestimate the size of something. I guess my most recent example is on the health network project. We came forward once and we asked for this much money over four years, this much over five, and so far we're within budget. We're getting better at estimating these things, but sometimes we will make mistakes.

Mr Perruzza: Ontarians are looking to you for some breaks.

The Acting Chair: Mr Marchese, you have four minutes.

Mr Marchese: Thank you, Mr Chair. I have about three or four questions. What I'd like to do is to pose them, and if there's time remaining, for you to answer some of them.

One of the questions Mr Callahan raised is of interest to me as well, and that is how you are dealing with the different linguistic groups in Ontario. Clearly, you're going to have more problems with some communities than others in terms of how communication is received by them, if at all, including the literacy problem that's connected to the linguistic problem in some parts of the community. So, I'd like to know how you're dealing with that particular issue.

The second one connects to the same issue. If someone leaves the country for six months or beyond and doesn't tell you, there's a penalty for that individual. How do you deal with the fact that some of those people obviously won't know that this is an issue, won't know that this is a problem? Yes, the campaign's been on; they should know and all that but they don't. How do you reach a lot of the people who, for one reason or another, will have a problem, either a linguistic or a literacy problem? How are you dealing with that?

The third question has to do with the issues of the photo on the card. I think you identified some of the people you need to work with in terms of where you may have difficulties putting the photo on the card. I'd be interested to know, are you developing a plan around how that's going to work with the different specific groups around which it's going to be a problem, seniors or children, people with disabilities? What is the plan? I'm not sure what they've done in other provinces, but I think Eric was saying 15% of the people could not be photographed in Quebec. That is a figure that I heard. That may or may not be correct. That could be transposed into our own communities. That's a large figure. What is the plan for that?

The fourth question has to do with the fact that you're obviously dealing with, through this health card, ensuring that health services are provided only to eligible people, and there's a whole system you're putting into place to deal with that. Part of the question that I think the auditor raised as well is, how are you dealing with the fact that this Ontario health card could provide an information base to support the formulation of health policies for ensuring that the appropriate level of health service is provided to eligible people?

That's a good point that is raised. This card can be used as an information base for a whole list of things that could provide an interesting knowledge base for us in terms of what kind of health should be provided. I'm interested in that. Are you looking at that? Have you thought about it? What is the plan?

And the fifth question, if there are a few seconds, is—

The Acting Chair: You have a minute to pose your last question and get all your responses.

Mr Marchese: —on restitution. You were dealing with the issue of restitution, you said, and you're looking at what the legislative framework is as to why you can or cannot do that. Does that require a legal change, either

provincial or federal, or do you have, within the regulations, power to do so? Obviously, there's a quick answer to that.

The Acting Chair: You have a minute. Go.

1540

Mr Stump: Yes, yes, yes, yes, and I'll have to turn the fifth one over.

Languages: Clearly, our information line currently handles 10 languages. Our media plan does involve other than English- and French-language communications. We are working with Welcome House and a bunch of other groups in terms of dealing with ethnic populations.

If people going out of the country and notify us, then certainly we're not going to issue the invitation to renew until they've come back. People who fail to notify us who are out for more than six or seven months are going to walk back into the whole eligibility question of being out of the country for a protracted period of time. So they're going to have to come in and talk to us in any case.

Photo exemptions: We've been talking around religion, age, medical impairment. We're aware of it. We are working on plans. Do we have them all in place today? No, but we've got them down on the project plan to deal with.

Health policy of the database: Clearly, right from the original ministry information technology strategic plan the health number is one of the underpinnings. Right now all of our information, as Donna explained earlier this morning, is key to it. We have a lot of restrictions in accessing information, bringing it together because of technological reasons, but all of the ministry's systems are geared towards being able to collate your information and in the future do a lot better job in terms of health policy planning.

Restitution, I'm going to have to turn—

Mrs Mottershead: If we had the powers of regulation, I can assure members that it would have already been done. We've had legal opinion on it that we do need legislative authority for the general manager to impose penalties and interest and other measures.

The Acting Chair: Mr Owens, you have two minutes.

Mr Owens: Just in terms of the tracking that you mentioned, I would like you to clarify this for me. It's my understanding that billing practices are determined by practice models and that when a physician falls outside of that model, that's when his or her card is spat out of the computer. Can you tell me what your plans are to change those models, if any, the kind of cooperation that you're receiving from the physicians themselves on this process?

Mrs Mottershead: We've actually engaged the services of a couple of people from Queen's University to have a look at our current physician monitoring system, to have a look at the algorithms that have developed so far to tease out the irregularities. Those irregularities vary from a physician seeing just too many patients in one day, in terms of numbers of visits and interfaces with a particular population, to too many procedures of the same sort done at a time when it's almost impossible, in terms of population profile, to do that many procedures on the

population that lives there. There are other models that actually tease out those irregularities. The people who have been working with us from Queen's have looked at the possibility of refining some of the models to get to an even more finite slice of the data that will give us some variable statistics and information on the physicians. To my knowledge, I have not been aware of any physicians complaining about the fact that we are working on this. I think, by and large, the physician population really has very little stomach or tolerance for those very, very few individuals who have some different or aberrant practice pattern deviations.

I haven't heard of anything and we know that the Ontario Medical Association knows we are looking at that project. We gave it visibility when we tendered it, for example, that we're doing it, and certainly our own ministry staff who are physicians are actually working on the project.

The Acting Chair: Sorry, that's all the time we have. I understand there is an additional presentation. Do you know how long whatever you have left is going to take?

Mrs Mottershead: We can complete in about five minutes. We can do this quickly on the validation, because there have been a lot of questions, particularly from Mrs Marland, around card swipes.

The Acting Chair: Perhaps what I could propose, subject to what the committee thinks, is that we have until 5 for you. We could basically let you complete what you have and then divide up the rest of the time into 20 minutes each and that should get us to 5 o'clock.

Mr Tilson: Mr Chairman, point of order.

The Acting Chair: Mr Tilson.

Mr Tilson: I am quite agreeable to sit until 5. I'm concerned with the conditions in this room. I seem to recall we sat over in one of the buildings for I don't know how many weeks in the past while this area was being refurbished for air-conditioning and other such things and I don't think there's too much air-conditioning going on in this room. In fact, quite frankly, I'm dying.

Mr Marchese: We're worse.

Mr Tilson: I say that for future meetings, Mr Chairman, if this is the most comfortable they can make us, I would hope they would find us another room.

The Acting Chair: Let me say if this is air-conditioning I'd hate to see it when it's warm. I think the concern is noted. The clerk has noted it and will pass it on to whatever powers that be.

Mr Tilson: Thank you, Mr Chairman.

The Acting Chair: If that's all right, if the ministry can complete its presentation by 4, then we can divide up the balance of the time.

Mrs Mottershead: Mr Chair, may I just let the members know that we also had another presentation on the Ontario drug benefit program, the network, how it's working and where we are with picking up all the pharmacies and why that's an important piece of experience related to what we're doing with the health card. If you would like, I'm in your hands in terms of hearing that piece of—

The Acting Chair: Would the committee be interested in that presentation?

Interjections.

The Acting Chair: Is that a yes?

Mr Marchese: Yes, it would be useful to have it.

Mr O'Connor: Margaret would be interested in the network.

The Acting Chair: Can I get a sense from the deputy: Every presentation you have, how much time will that take, including the ODB and the validation?

Mrs Mottershead: We can shorten the presentations to have both of them done in 15 minutes, five and 10.

The Acting Chair: Fine, why don't we have both and then we'll have questions afterwards.

Mrs Marland: Could I ask that we have copies of the overheads that you used earlier today?

Mrs Mottershead: We'll get the clerk to make the copies tomorrow.

Mrs Marland: Or some time this afternoon. Yes, that's great.

The Acting Chair (Mr Rosario Marchese): Whenever you're ready, please go ahead.

Ms Segal: I'll make this very quick, because in fact I've answered many of your questions and have spoken to the information on some of these sheets already.

Essentially, under health card validation the important thing to convey to you is that we initiated the pilot projects relating to both interactive voice response, which is IVR, and also the swipe card technology health card reader, HCR. We initiated the pilots in the spring, in the June time frame of last year, 1993, and had evaluations on those pilots in the early part of 1994, as late as March.

I believe that you had a presentation last year on what constitutes IVR and on the swipe card reader, so I won't go into a lot of technicalities associated with the technology except to say that both provide real-time access to RPDB—the typo, note it again—and therefore immediate accurate information.

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The IVR uses existing touch-tone phone technology, so essentially a physician in his or her office would use his or her touch-tone phone to call either a local Toronto number or a 1-800 number, register a registration number and a PIN number and then key in the health number and associated version code to determine whether or not that card is eligible.

On the HCR, which is the health card reader, it involves a simple magnetic swipe technology used to validate your credit cards, the same technology.

The essential benefits that I wanted to point out to you are clearly that it will enable us to identify lost or stolen cards; that it will enable us, in IVR, to eliminate billing rejects which are due to the version code.

In the agreement with the physicians in August 1993, a major point of contention was the disruption involved with physicians as they bill and their bills are rejected as a result of version code error. This validation technology will enable them, at point of service, before in fact the

service is provided, to validate that the version code on the card is accurate.

Importantly from our perspective, both IVR and HCR technology will prompt the physician and/or the provider who is in-taking the information, to request address changes when a return mail indicator is identified on the message that's provided back through the IVR and, in particular, through the HCR technology.

As I indicated this morning, we do have four sites that are current hospital pilots; just to review: Chedoke-McMaster, Toronto General, the Hotel Dieu and the Kingston General Hospital, both in Kingston. We have additional hospitals which are currently being hooked up as we speak: Mount Sinai in Toronto, St Michael's in Toronto, the Royal Victoria in Barrie, the Sunnybrook hospital in Toronto and St Thomas-Elgin in St Thomas.

Further to that, we have 10 hospitals—I mentioned eight earlier, but it's 10 hospitals—using the IVR technology. Those are the Hotel Dieu in Windsor; now St Mike's in Toronto—obviously they'll convert over to the HCR as soon as possible; Riverside Hospital in Ottawa—some of you may have seen the media piece a week or two ago regarding their use of the IVR technology; Collingwood General in Collingwood; Hotel Dieu Hospital in Cornwall; Lake of the Woods hospital in Kenora; Laurentian Hospital in Sudbury; St Joe's in Thunder Bay; and North York General in Willowdale.

We are hoping to roll out our strategy. In fact, the deputy mentioned over 11,000—the most recent count, as of yesterday, was over 12,500—indications of interest from physicians and other practitioners that they wish to avail themselves of IVR technology. So we are poised to go province-wide when we appreciate that we have the confirmation from government as to the expenditure of those funds.

Around the HCR technology, we have always indicated, per our agreement with the OMA, our indication to make HCR technology accessible to 50 hospitals in 1994.

We would like to be more ambitious and we certainly wish to move as quickly as possible over the remaining hospitals, but obviously that will have to be tempered with available funds.

The Chair: Questions.

Mr O'Connor: We're going to hold our questions until after the next presenter.

The Chair: Oh, there is still a further presentation.

Mrs Mottershead: Mary Catherine Lindberg is going to be doing the presentation on the drug network.

Ms Mary Catherine Lindberg: Thank you. I have with me David O'Toole, who is the project manager also of the Ontario drug programs project. This is called the health network. So that you all remember what Ontario drug benefit is, it is the drug program that provides people over 65 their drugs, and those on social assistance, people who receive home care, residents in long-term care facilities and homes for special care.

The reason this project became important for us is that we currently are spending \$1.2 billion on 20% of the population. We pay 42 million claims. We have 2,300 drugs covered. We have 2.2 million recipients. The

average claim per person is 27. That means 27 prescriptions, not different drugs but prescriptions, per year. The average claim per person including social assistance is 10, and the average price is \$27. That became an issue when we decided that we should have the network.

What we'd like to do today is tell you about the network. Last year we told you that we were going to do it. This year we're coming back to tell you we have done it.

The primary objectives of the network have been that we should improve health care and not just look at how we can make this more efficient. Two of the benefits that have come forward have been on improving the health care of senior citizens. It also has given us many efficiencies.

We've will have in the near future telenetworked all of the pharmacies. We've reduced the amount of paper and looked at the paper guidelines so the formulary now can be accessed on the computer. We give real-time, on-line adjudication of when a person is eligible and whether the drug is eligible, and we also can give potential warnings on drug interactions.

The status of this is that we put the first pharmacy on line in November 1993. The majority of the pharmacies are now on in 1994, and by December we'll have completed the first phase, which is really the phase that identifies the recipients, gives the claims processes, looks at the first idea of prospective drug interactions.

There are two other phases that we will be looking at with this over the next year and those are to look at the benefits management systems and the full function of a prospective DUR, or drug utilization review. These two systems are actually very essential to us because one of the other programs that we currently operate is called the special drugs program, which is drugs we pay for for people with specific diseases. If we can put this on the same network, we'll be able to look at how we're utilizing those kinds of drugs also.

There are a number I'll skip over, but what I'd like to talk to you about is how well we are doing. There are potentially 2,244 drugstores that should come on. We currently have 1,705 on, with 539 left. What that really tells us is that we currently have about 64% of the pharmacies, but those pharmacies have 75% of the number of claims we're currently processing. So we really are starting to get a lot of reactions from this and to be able to do some real live looking at drugs and rejecting drugs.

I have no idea what slide it is, but if you can get on to "Project Status" I think that is the one we're most proud of. We were able to build into this system, making sure that we protected confidentiality, three different kinds of notices that come back to pharmacies when they fill a drug.

One is called a drug-to-drug interaction. We've had 385,000 drug-to-drug interactions reported back out of these pharmacies that are currently connected. That means that you've had one drug dispensed and another drug is being dispensed and there could be a potential interaction. That interaction could be as minor as just a potential of a stomach upset or as dangerous as it could

be causing you anaphylactic shock. If it is very dangerous, the name of the drug will come back to you. If it's just another interaction, there are levels of interactions that show up.

We can't claim here that there are 385,000 prescriptions not filled, but we do know that there are 385,000 contacts made by a pharmacist to that patient to prevent him or her from getting an interaction that could have been potentially fatal.

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The other one is that we have been able to prevent people from getting what we call double doctoring. That's about 16,000 claims so far, and this is just from May to August, so it's not a lot of time. But as we look at it, double doctoring means that you could've got the same drug dispensed by a different doctor. You went to your family doctor and you got a drug. You go to your specialist and he maybe will give you the same class of drugs. That would come back as a notice to the pharmacist that this drug should not be filled because you've already previously received that same drug in the last few days. There were 16,000 of those, and that means that we probably did prevent a number of those kinds of interactions.

Again, we can't say, but we do know that we had pharmacists practising the profession of pharmacy in a much more professional manner because they had knowledge of drugs that were filled. They didn't necessarily have to be filled in their own drugstore—they could've been filled in another area, another place—but they had their drugs and there was monitoring going on.

The duplicate prescriptions: We know we've saved at least 1,892 of those because that means that somebody from the same doctor on the same day was trying to get the same drug. So we did prevent those kinds of interactions. Again, understand that this is only a fairly limited sample, so the potential of this for health outcomes as well as prevention of a number of fraudulent kinds of things is proving to be very much of a benefit.

The managed care system that we're about to build will help us define and maintain the coverage of groups of recipients or agents and prescribers and manufacturers that we would like to use that are either on or not on ODB but are receiving drugs. We could put a chemotherapy system on this; we could put on our special drug program. So it has a number of potentials to look at the other things.

The next phase also of this is that we'd like to move it into hospitals and doctors' offices eventually, so that emergency rooms, especially, would have access to this information so that they could access a file, know what drugs were—especially if it's an elderly person who is comatose or not able to speak. You could actually enter the card number on this line and you could get back the information of the drugs that person has taken, probably a history file of the last year, maybe at least six months; and then to also try to put this into the physicians' offices as we move into that area.

If there are any other questions, I can cover it, but I think that'll probably cover the project for now.

The Chair: Questions. Perhaps we'll go in rotation again, if that's the desire of the committee.

Mr Crozier: Perhaps you can start with them. I have no questions.

The Chair: Okay. Then we'll start with the Conservatives. Mr Tilson had his hand up first and Mrs Marland. We're going till 5 o'clock, so we have approximately one hour left, so we'll go in 20-minute rotation again.

Mr Tilson: What you've just explained, the drug programs project—I think I understand most of what you're saying. That's on the presumption that druggists, doctors, hospitals have all this equipment that Mrs Marland has been spending some time on. Unless you have the equipment, then it won't work.

Ms Lindberg: The pharmacists were all computerized. They all have computers, and they were all giving their claims in to us on a disc.

Mr Tilson: So all pharmacists today are computerized.

Ms Lindberg: They are computerized, and they were before we started this, so our costs were to do the network costs to get every pharmacy telecommunicated. The pharmacists themselves spent the money to buy the software so that they could have the software to interact with our network.

The reason they did that is because each pharmacy, again, has a different software package from another pharmacy. Shoppers Drug Mart pharmacies all have the same network, a network of theirs. So they spent the money to put in their own software package; we wired them to the drugstore. They put a software package—they all have computers—into their computer configuration, so they now have instant adjudication of their claims.

The advantage for them was that they know that every claim they now put forward is valid. They don't have an invalid claim, because if it is invalid, it has already been rejected.

Mr Tilson: So they're connected to a central system to your ministry.

Ms Lindberg: Yes.

Mr Tilson: In other words, if I go and get some drugs at drugstore A, and then I go an hour later to drugstore B, they'll know I've done that. Drugstore B will know I've been to drugstore A.

Ms Lindberg: Only if you're an ODB customer at this point. Only if you're a recipient of our Ontario drug benefits.

Mr Tilson: Yes.

Ms Lindberg: The potential is it could be expanded, but right now it's only for the people we supply drugs to.

Mr Tilson: I guess that leads to a general question of information for the database which we, the ministry, all of you have been talking about this morning, and this afternoon to some extent. That sounds very admirable, because this is really part of it. It would all be part of it. You could essentially have your record, whether you're at Dr A's office—doctors don't have this equipment, of course. Dr A prescribes it and I suppose you're saying it would be picked up in drugstore A or drugstore B. That

would be the safeguard.

Ms Lindberg: Currently, that's the way it is.

Mr Tilson: However, it gets back, I guess, to the questioning that Mrs Marland was asking, and that is that if you don't have all this equipment—the hospitals, the doctors—and I must confess I wasn't aware that all pharmacists had this type of equipment. If you don't have all this, then that won't work. This system or the expansion of it simply won't work.

Ms Lindberg: Some 97% of physicians send their claims in by computer disc now. We know that all hospitals have computer systems, and every lab also, by the way, is computerized. So most providers are already computerized. So the technology and the investment on the side of the provider is to get their software vendor for their computer to set up a compatible system for our network. It's not that difficult, now that the vendors have a fair amount of experience with it. It's even easier for drugstores to do it. So the expense is the software package only for the provider.

Mr Tilson: This is on another card, of course.

Ms Lindberg: No, it's on the same card.

Mr Tilson: It's on the same card? Because I understood that the card that—I can't remember his name: he's gone—described—

Mrs Marland: Larry.

Mr Tilson: Larry. The information is limited: you can only get so much. Is that the downside of the photo card, as opposed to the smart card?

Ms Lindberg: What the pharmacists currently do is they key in—they don't swipe—the number on their computer. It's an interactive system like your bank card. You key in the number. It says, "Yes, this person is eligible." The next thing he keys in is the drug identification number, which is the prescription that they're going to receive. That goes in and it says "Yes"—and this is a 15-second turnaround—that's a valid drug, that drug is covered by our formulary. Then the calculations are done for the price, and if there's no interaction, it's a simple dispensing function. What happens is—

Mr Tilson: Could I just stop you? That sounds admirable. It's almost as if you're describing the smart card.

Ms Lindberg: It's an interactive technology.

Mr Tilson: But I have it in my head that the photo card that you've developed, the strip is like a strip on the back of a credit card. I assume—

Ms Lindberg: Yes, it is.

Mr Tilson: —and there's only so much room for that information on that card.

Ms Lindberg: The information on the drug side is in the computer in—it's not in Kingston, is it? It's in Windsor.

Mr Tilson: I'm sorry, I didn't catch it.

Ms Lindberg: The information is on a computer in Windsor, and it goes in and out, in and out, in and out. So it's like a smart card, except it's interactive technology. It's what we call interactive. You put the mag stripe

in. The mag stripe reads the name, the address, and verifies that person is an eligible person.

The next thing it verifies, because our formulary is on this piece of computer also, is that the drug is eligible, and what price that drug is and the quantity. So it does a calculation of 30 times 50 ampicillin to give you the price. If, by the way, it says you've already had codeine and there's going to be an allergic reaction, it'll flash up, "Allergic reaction, allergic reaction."

Mr Tilson: How is this card different from the smart card?

Ms Lindberg: It's different because you don't carry it around in your—

Mr Tilson: It's not on the card.

Ms Lindberg: It's not computed on the card.

Mr Tilson: It's on the machine.

Ms Lindberg: You swipe it; it's on the machine. So it comes back and forth. It's on a mainframe or a large computer.

Mr Tilson: I guess I'd like to ask some questions with not only this topic but the whole system, and that has to do with how it's going to be paid for. I understand it's difficult to estimate, depending on how fast you're moving and where you're going and all that sort of business that you've told us. I look at \$30 million a year, unless that's changed, and then there will be other costs. 1610

I don't want to get into the argument whether it's \$6 or \$8. My question is that we have fees for drivers' licences, for fishing licences, hunting licences, every sort of licence you can think of, which are a lot more than \$6 or \$8. Has that been canvassed by the ministry? In other words, if I've got to pay—I don't know what I pay for a fishing licence. Does anybody know? Forty bucks? I don't know, but it's certainly a lot more than \$6 or \$8. Why wouldn't that be the case for these cards? If I want to get health services, why shouldn't that service—in the same way with respect to fishing licences?

Mrs Mottershead: The government has outright rejected—

Mr Tilson: So it's a government position.

Mrs Mottershead: It's a government position.

Mr Tilson: Okay.

Mrs Mottershead: It's a government policy decision that has been taken not to charge for health cards.

Mr O'Connor: You've got to earn a new driver's licence. You're entitled to health care in the province, so you don't have to pay for it. A driver's licence is something you have to earn, it's not something that you just get. It's a privilege you get after you're qualified to receive it. It's a little different approach.

Mrs Marland: Is it my turn?

Mr Tilson: Mrs Marland, I just wanted—you're saying that in your capacity as parliamentary assistant.

Mr O'Connor: I'm saying that as a member of this government.

Mr Tilson: Okay, that's fine. Thank you. Mrs Marland has some questions.

Mr O'Connor: We know you're advocating for user fees.

Mrs Marland: I need to get back to what's going on between Quebec and Ontario, on behalf of Mr Wilson, the member for Simcoe West. Apparently last year Ontario and Quebec governments exchanged information to determine how many individuals were registered under health plans in both provinces. In fact, I have a copy here of a memo from Mr Julian Young. In this memo he says that "OHIP provided RAMQ with a file containing those persons whose surname begins with the letter A. RAMQ then provided OHIP with a similar file of the letter B. The initial findings of this analysis identified approximately 1% of persons are registered in both provinces with health care eligibility." That's a direct quote from Mr Julian Young's memo of December 21, 1993. Another exchange apparently was done with the letter C and contained similar results.

Some of the numbers are pretty amazing, because I notice that on the file between RAMQ and OHIP, on the B file, there were 8,043 names. That means 8,043 people are registered and they can access health care in Ontario and health care in Quebec.

I guess the interesting thing about this, of course, is that it does relate in some cases to the Akwesasne reserve because in fact in the summary of discussions it says RAMQ has received authorization to terminate eligibility of all 932 native persons residing in the USA who have RAMQ health cards. It's a pretty scary thought that poor old Quebec has 932 people that it's been able to identify as native persons living in New York state that it's been covering. "Letters of notification will be sent to each person informing them of this action and the opportunity to appeal."

What I'd like to know, on behalf of Jim Wilson, is why haven't more exchanges been done? We're talking about two letters of the alphabet. We're talking about a report that's eight months old—or nine months old, I guess, at this point, it was December 9. How many of these individuals registered in both plans are collecting welfare benefits in both provinces? I realize that's not your ministry, but I think that was part of the comparison that was done. And how many of these individuals registered in both plans are billing OHIP for services not covered under the Quebec health insurance plan? Is that your responsibility, Donna, or is it—

Ms Segal: It is in part. The memo from Julian Young—could I ask you the date of that memo?

Mrs Marland: December 9, I said, 1993.

Ms Segal: Okay.

Mrs Marland: Pardon me, there's two. One is—

Ms Segal: December?

Mrs Marland: The memo is October 28, 1993, and then there are meeting notes with RAMQ from December 9, 1993, and these have been obtained through the freedom of information. They're quite interesting, because when you get down to something that's quite interesting then there's a blank and there's something—I'll give you an example.

This page looks very interesting, and then all you get

is the identification of the stuff you can't get. But based on the information we do have, we're very concerned. We think this is a very serious matter that we have people registered in both provinces and, in some cases, both provinces and one state.

Ms Segal: It is an issue that is disconcerting and does require ongoing vigilance, there's no question about it. I wonder if I could indicate to you, though, the subsequent actions of RAMQ in terms of the 800 individuals you made reference to—the fact that their coverage in Quebec is being terminated.

As a result of accusations by certain groups in Quebec as to the termination without having given the opportunity to the individuals affected to challenge or to question that—

Mrs Marland: I don't want to interrupt you, but these 932 were all native persons, so I'm assuming these 932 persons were all on the Akwesasne reserve.

Ms Segal: And I'm indicating to you that in fact RAMQ did not terminate their coverage at that particular time. Instead, they adopted the same kind of strategy as is employed consistently with Ontario, that they in fact reinstated the coverage of all of those individuals and effected a reregistration of the entire population that was claiming Quebec residency status.

Their tactic initially was very interventionist. They were reprimanded legally for doing so and taken to court and, rather than pursue the legal court, what they did was reinstate coverage and then pursue a very deliberate action to reinstate or to review the eligibility of the affected individuals.

Similarly, in the course of several approaches to looking at residency status, not only of the native population but of all border populations and also to extend across the total population of Ontario, we have sought to confirm the eligibility and residency of individuals who claim to live in Ontario. I don't have the statistics in front of me that relate specifically to the native population. In fact, we don't gather them in that fashion. What I can say is that as a normal course of action, as did Quebec, we review the eligibility and we review the actual residency.

Perhaps I can reinforce that as time continues we will continue to review, both by random sampling and also by specific reviews of susceptible populations, namely border populations, we too will be able to refine the information base to assure ourselves that all the individuals, whether they're of native or any other extraction, are in fact residents of Ontario.

Also, we will be carrying out, as part of the registration exercise over the next three years, starting next spring—we will be working with the native council and working directly with the individuals involved who will come forward and reregister, just as you and I will reregister in order to acquire our health cards. They will have to prove their Ontario residency.

Mrs Marland: You know what's interesting about this particular page—and I see that Julian Young is senior business analyst for the registration analysis unit—is that in the summary of discussions under Akwesasne there

were four summaries, and the only ones that have been left are the ones about Quebec. So out of this, the white-outs are the Ontario ones, and it's in here that they're saying—well, a number of things but all about RAMQ, including that it was noted that the native declaration of residency prepared by RAMQ will not be utilized.

1620

Ms Segal: The white-outs are part of the administration process of carrying out a request for information under freedom of information. I have no control, nor do ministry staff, other than individuals who have the direct responsibility for determining what information goes forward. I can't speak to why those particular pieces or what was in those pieces—

Mrs Mottershead: But I think you can be assured that they have to deal with the issue of protection of personal information and for that reason they had to be delivered to the requester in that way.

Mrs Marland: What about the Lindquist Avey study? Why can't we have that?

Mrs Mottershead: I believe I answered that question this morning. In engaging the firm to do its review, we had two issues we were concerned about. One is the security aspect and the other one was the advice to government in the context of a proposal, a cabinet submission that would be developed around the new health card, both the card itself with all the features and the processing and the registration process. Our agreement with Lindquist and the way the documents have been prepared for us have been already protected right from day one in our engagement with them.

Mrs Marland: So are you saying it's their decision, not the government decision?

Mrs Mottershead: No, that was the government decision to engage—

Mrs Marland: Did the government pay them to do the study?

Mrs Mottershead: Yes, the government paid them to do the study.

Mrs Marland: And you're saying that the facts in it can't be made public without—

Mrs Mottershead: That's correct.

Mrs Marland: Even if they remove anything that's identifying, you can't make public a report that tells us what the situation is about abuse and fraud in the health care system.

Mrs Mottershead: They, I mentioned this morning, looked at every single aspect of our operations and our procedures, processes, manuals, right down to the front line in terms of their interaction, the way they input data into the computers, the whole operation. Because of that and because we explicitly asked them to do that and flag areas of vulnerability, we made sure that the information would be protected for purposes of security. So it wouldn't serve the public interest to actually put a document out there that indicated where the vulnerabilities are and to in fact increase the possibility or probability of further abuses in the health care system.

Mrs Marland: Okay, I can understand your answer

now. What you're saying is it would tell people how to. Does the Provincial Auditor have access to the Lindquist Avey study?

Mr Erik Peters: Yes, we do.

Mrs Marland: That makes me feel better. What about the fact that you've only done two letters out of a 26-letter alphabet between the exchange of information between Quebec and Ontario?

Ms Segal: We've been working for some time in formalizing a relationship with the province of Quebec where we can regularly interchange data. The interchanges you're referring to that were made available to you through freedom of information represented isolated pieces of information obtained through—they were not part of a regular data exchange process. They were simply to identify whether or not there may be a fraud vulnerability or problem or, in this case, in fact, a duplicate card, as in registration in dual. I'd like to be clear, that may or may not be fraud, but it does indicate that the individual does have possession of two cards.

Mrs Marland: How could a person be entitled to a card in each province?

The Chair: I'm sorry, Mrs Marland, your time is—

Ms Segal: No, that's not what I said. What I said was that because an individual may have two cards does not necessarily imply that they are fraudulently using both of those cards at the same time. In any event, your original question to me was why have we only done the two letters. My response is, we are very much looking forward to the formalization and finalization of an agreement that's appropriate through freedom of information and through appropriate legislative channel, which will allow us to interchange that data on a regular basis—

The Chair: Thank you, Mrs Marland.

Mrs Marland: Will you let her finish? She was just in the middle of a sentence.

The Chair: Yes, I will let her finish. I just wanted to go on to the next question, but you can finish the answer to this one.

Ms Segal: And in fact I know there is another meeting between the Ontario and Quebec staff that's planned for the month of September to further our deliberations. It's been a protracted process, sometimes frustrating for all staff concerned, but it's been very complex legally and we have to be sure we're not compromising the security and the privacy of information illegally.

Mrs Marland: Thank you for your—

Interjection: You want to be careful of that.

The Chair: Thank you, Mr Frankford.

Mr Frankford: I think probably for Mr Stump: To return to the question of licensing officers as registration points, I think you said they would be paid per case.

Mr Stump: Per unit, yes.

Mr Frankford: Has the payment been agreed on?

Mr Stump: No, we're negotiating that. We still have all of the elements of the transaction to define. We have to come to agreements on how many different types of

documents people are going to get, because the length of a transaction will vary. We talked about whether we can get families in, there'd be some efficiencies there. There are a lot of factors that go into negotiating that arrangement.

Mr Frankford: And who do you negotiate—is there some sort of association or—?

Mr Stump: There isn't an association of issuers. We'll be doing the negotiation with the Ministry of Transportation.

Mr Frankford: Has that started?

Mr Stump: No.

Mr Frankford: Okay. So there's a lot of assumption that we—

Mr Stump: We have to make some of the fundamental decisions and we talked earlier that a lot of things are still in the planning process. We've talked about other outreach programs, how many transactions are people going to get, so there's still a way to go.

Mr Frankford: And they would have to come to you and sort of talk about how many staff they anticipate needing, or whatever.

Mr Stump: We should be able to anticipate that once we've figured out how long these things should take.

Mr Frankford: They will have computers now connected with the MOT and all that.

Mr Stump: That's right.

Mr Frankford: But you would not be using the same computer, would you?

Mr Stump: We'll be using the same computers in the offices and we'll be using some common computers at the central site.

Mr Frankford: Sorry, the same computer will link to both ministries?

Mr Stump: Yes, there'll actually be three different computers involved. The Ministry of Transportation's driver system—we have a linkage in that if you're coming in to do both transactions. There is a computer to store the photo image. We'll both use the same computer for that. And then there's the ministry's computer that it uses for registered persons database, so all of these have to work together.

Mr Frankford: With photo storage, then, each individual would—an individual with a driver's licence would have two images stored, in fact, would they?

Mr Stump: We're discussing that right now, whether you need to store two or one.

Mr Frankford: Okay. So in principle, you could say—

Mr Stump: You definitely could. Now the question is whether you will want to and whether that's appropriate under freedom of information etc.

Mr Frankford: And then, for children, one photo lasts five years. At least—

Mr Stump: We're discussing what an appropriate age is for somebody to have to have their picture taken and how long it's good for. Children may be one of the exemptions.

Mr Frankford: Okay. Changing over to the drug network and perhaps more to make comments than to ask questions—except perhaps my comment is, as far as doctors go, why wait? Because I've done that. In essence, I did it myself. I practised with a computer on my desk out of which, with a printer, I gave a hard copy to the patient. If I was doing that today, I would have a modem and fax or e-mail it to the pharmacy, which I think would be dead easy.

1630

I used the OHIP number as a unique identifier, which has many advantages. Now we have one unique identifier, which makes it very easy. I personally feel—this is more of a comment—that the whole is very straightforward, that there are plenty of motivated individuals who like doing it, who realize the advantages to patient care for themselves, and maybe one should sort of take that group before saying this is something that has to be negotiated with the OMA, which I think just makes things complicated. I'm sure in the fullness of time, you probably do need some agreement like that, but I think for now one could be doing pilot projects on a totally voluntary basis.

Mr Tilson isn't here, but I was going to comment—

Mrs Marland: I'll pass it on.

Mr Frankford: —in relation to smart cards, as I hope a constructive comment, that when you put things on a card, they also have to be read. The question is, who's going to read it? It seems to me the best person to produce and probably to read it later is that let's call it primary care or that physician at the front line.

It's not clear to me what you get by putting it on a card. As I've said in these hearings before, it's easy to get carried away by cards, but it seems to me that they are a solution in search of a problem. I think we have to be very cautious about saying it's the way of the future and we have to jump on it, because I don't believe the usefulness of cards in this sort of context has been demonstrated. They may be useful for some simple bank transactions and keeping your accounts up to date, although it's interesting to note that the banks themselves have not embraced something which should be really quite straightforward and perhaps to the benefit of consumers.

I would be happy to try to put smart cards to rest, because I think it's easy to get fascinated by them, but it's very questionable how useful they are.

Mr O'Connor: I appreciate your coming before us and spending as much time as you have. I know that we've cut into your day a little bit.

I guess a real concern that this committee has had and the reason we've spent as much time as we have of course goes back to the auditor's report, and the concern is that when we moved into the red-and-white card, it was done quite quickly. There were many reports of the vast number of cards out there, and action had to be taken. I guess you could call it a quick fix in going to the red-and-white card, but obviously it was an action that had to be taken, given that there was a problem:

I wondered if you might be able to comment on two

things: some timetable or review dates or trigger points that are going to allow you as ministry officials to make sure that everything we're doing is on track and that we're not going on a fix-quick stream and that we're going to make sure everything is covered. I think that having the individuals come before us certainly shows it's going to be more awkward for anyone to try to create something that's going to be fraudulent.

My concern would be in that, though, perhaps you can spend a minute or two going over seniors. How about seniors in long-term care facilities? Are we going to have to bundle them all up and take them down to the local MTO office, and rent mini-vans or whatever? And how do we deal with the homeless in Toronto? There are a number of people who live on the streets. I know that my colleague Dr Bob Frankford mentioned this earlier on, but now as we proceed further into the process, I wonder if you might be able to give us some idea how we're going to ensure that these people, who are entitled to health care, are going to receive the health care they're entitled to.

Mrs Mottershead: I'll start off by just indicating that in terms of the registration in 1990-91, many lessons were learned and it was a tremendous experience to draw on in terms of the planning now. One of the key areas, and I'll let Larry speak to it further, is the treatment of the homeless and those that are shut in for one reason or another, and other populations, and I'll leave that for a moment.

I'd like to indicate that we have in our discussions this morning suggested that we are going to be continuing the process of validation, not in the sense that Donna talked about in card swiping, but validating all of the assumptions that we are making so far in the process by using experts, and Larry indicated that there are three sessions. One is starting next month in terms of bringing in the providers, as an example, a stakeholder group, as well as technical experts in the business of credit/financial instrument cards and so on, to look at everything we're doing so far.

The other thing that I think is important to flag for Dr Frankford is the fact that in terms of the MTO offices and in terms of the costing that Mrs Marland has also raised, we have to continue to work on things like time-and-motion studies to actually look at how long it would take to process someone with certain documentation so that we have a sense of confidence that the forecast and the estimates we have put together so far are really going to hold out in the long run as we go ahead and proceed with the process. So there's lots of work to be done between now and the early part of the spring next year when all of this activity takes place. I don't want to underestimate the fact that there's this work that has to be done. It's of a significant magnitude and we'll do it as diligently as we can.

I'll turn it over to Larry, who has some information to share with you on previous approaches to the population you've talked about, as well as some of the current thinking.

Mr Stump: I think you mentioned the homeless as well. We've had a couple of meetings now with a

coalition of groups that service the homeless in Toronto, not only to deal with what we are going to do for the new reregistration, but also to set up some communications vehicles to help them deal with problems they're facing today. We've worked with those people I guess in the first round of registration back in 1990, and they're being very cooperative, very helpful in terms of giving us some ideas. They'll be participants as well at the advisory forum in September, along with the other groups that they have to work with as well in terms of the providers, so we're not going to try and just parcel people into a little package and deal with them. We think this is a group effort.

In terms of the people who are locked in long-term care institutions or facilities, or perhaps correctional institutions, no, we don't expect them to bundle up and walk out of the prison in the middle of the winter either. We are looking at an outreach program that would see people leaving the Ministry of Health in a van with portable equipment and going to a destination and, as conveniently as possible, arranging for their reregistration.

Mr O'Connor: A concern was pointed out to us about a children's aid society being given bulk cards, as a result of our previous deliberations. Would there be anything like that happen again? By having the person in front of you who's being issued the card, I guess we could clear that up, but are there any situations like that which could be a problem?

Mr Stump: I have not come across any exceptions now that would see us handing out block numbers. I think that and temporary cards are things that were done in reaction to specific problems, and hopefully by now we have a better process developed to deal with that.

The Chair: Any further questions from the government side? If not, Mr Callahan.

1640

Mr Callahan: I'm just looking at this flyer that you were good enough to give us. I guess maybe it's 30 years of practising in the criminal courts that have made me think like a criminal. I was just thinking of a situation. Let's say that someone's a Canadian and they—

Mr Perruzza: So you were representing—

Mr Callahan: I've never represented you, I don't believe. Have I? No. But I'm looking at this and I'm thinking to myself, a Canadian citizen who moves to the United States and becomes an American citizen decides they want to have heart bypass surgery. They attend at the office and they give you their Canadian birth certificate, because they still have it. They give you, let's say, an unconditional offer to purchase on a piece of property because they're going to invest in Canada. They give you their social insurance number, and the operation is booked for three months hence, because they've got a three-month waiting period. How do you stop that?

It's nice to have universal health coverage, but I find it really exceptional that people who move out of this country, change their citizenship and don't pay one nickel into this country come up here and have a heart bypass. How would you deal with that? You couldn't. They'd be

perfectly entitled to a health card.

Ms Segal: You're making reference to an immigration issue also, the issue that an individual who is now in the States and has taken up American citizenship can in fact retain their right to Canadian citizenship. I'm sorry, I think that issue is beyond our control. While I may or may not agree with you personally, the issue is that that individual has the legal entitlement to remain in Canada once they can identify that they are in fact a Canadian citizen.

Mr Callahan: I don't think they lose their right as Canadian citizens. I think there's now an ability to have dual citizenship. I just throw that at you. Those are some of the real problems. Let's face it: If you're going to have a heart bypass operation in the United States, it's going to cost you megabucks. You can get it here for free, virtually.

Ms Segal: We are hopeful that the three-month waiting period will discourage people from coming across the border for one reason or another, applying immediately, whether it's through a landed status or through reassuming their Canadian residency, and acquiring services immediately.

Mr Callahan: I want to go back, and you'll understand why, to my constituent's situation that I raised this morning. That's the constituent who purchased \$25,000 worth of coverage and tried in every way, shape or form to comply and wound up with the hospital—I'm told, and I checked during the afternoon, the hospital actually told their children that they had to sign this, and these people got no advice. They assumed that if they didn't sign it, the treatment would not continue, although I think you or perhaps the deputy minister said this morning that the hospitals would have to continue the treatment even if it was—

Ms Segal: What did they sign?

Mr Callahan: They had signed a guarantee. Once they got to the \$25,000, the hospital required them to sign a guarantee. I guess if they had had some advice, they probably wouldn't have signed it and the hospital would have had to keep them there, because this woman was dying of a stroke.

I guess I'm advocating on behalf of my constituent, which is my job. I find it absolutely incomprehensible that a person can arrive in this country illegally—and I'm certain this is a fact—and get a coverage under OHIP. They'd have a card that if they suffered, if they required health treatment while they were here appealing their deportation order or, after it's been found out that they've overstayed their visit, applying under the refugee process, they would in fact be covered by health care.

Ms Segal: Could you describe to me what you mean by them being here illegally and still having coverage?

Mr Callahan: We've had instances of it: They come in on a boat on to the shores of Canada. As I understand it, those people had health coverage from the minute they landed on the shores of Canada.

Mrs Mottershead: As refugee claimants, yes.

Ms Segal: They perhaps would have refugee—

Mr Callahan: No, no, they were here illegally.

Interjection.

Mr Callahan: I'm sorry; I'm talking about two constituents of mine who live in an apartment, have a child, and the husband's on WCB and the wife is—

Mr Perruzza: What's their name and where do they live?

Mr Callahan: That's not important.

Interjection.

The Chair: Can we have some order, please.

Mr Callahan: In any event, I find it absolutely incomprehensible that people in good faith purchase \$25,000 worth of insurance and this hospital is going to come after them to try and collect a debt of \$75,000. I find that absolutely incomprehensible and I think any well-meaning and well-thinking Canadian would find it absolutely unbelievable that we cover all these other instances but we don't cover that situation or deal with it. I find that really tough to take. I'll tell you, these people could go bankrupt for \$1,100 and that hospital wouldn't get one nickel. They're taking pretty poor legal advice if they decide to sue them for the \$75,000.

In any event, I simply want to raise that again because it really grinds me that we do that, that our system provides for that.

I want to go back to another thing. I've got a card here from St Michael's Hospital. These things are produced by every hospital in Ontario, so you never pull out your health card. They are probably in the millions, I would think. What are you going to do to eliminate that? I mean, these things are probably peddled around the city, I would think. There's nothing on it to say, have them identify it. They just walk into the hospital, hand them this card and get the service. What is being done to protect that or to retrieve it or to stop it? This is not my health card. This is a card that's reproduced in every hospital in Ontario, for some reason, and they never ask you again for your health card; they ask you for this. How are you going to deal with that?

Ms Segal: I would suggest that once the health card reader capacity is in that hospital they are likely to ask you for your health card and swipe it rather than making use of the card that you have in your hand. There's no security attached to the card that you have in your hand and they will know that there's security attached to your new health card, your new photo card. The reality is that we are in combination with the OHA. We've investigated, adding the additional feature of the bar code on the new photo card so that we can in fact meet some of the needs that they have assumed by printing this kind of card, at the same time as availing themselves of a card that has much more security attached to it.

Mr Callahan: I'm not trying to make life difficult for you, believe me, but I have to ask these questions. This is the public accounts committee. If only four hospitals—am I right?—have this capacity at the moment, and 50 in 1995 and 50 in 1996, what are we doing to put the finger in the dike to stop somebody from getting one of these at St Michael's Hospital and handing it to somebody on the street or selling it to them and they go in and get the services?

Ms Segal: But that card is only useful in St Michael's Hospital.

Mr Callahan: Oh yes, but I'll bet you I could go around to every hospital in Metro—

Ms Segal: And it'll be a different card.

Mr Callahan: —and get one and I would then have different colours, but I could go down Yonge Street and say, "Here, pick one. That'll be \$100" or whatever.

Mr Perruzza: What kind of services do they give with this card?

Mr Callahan: Everything. I could go in and have a heart transplant with this card.

Mrs Mottershead: May I suggest that there is another major element here. You can't walk into the hospital, just walk into an emergency department. You'd have to have some kind of emergency event happen to you to have that kind of thing through an emergency.

We're forgetting one very critical element in this whole business, and that's the physician. When you talked earlier about the case of the American cousin who's got dual citizenship, that individual can't walk into the hospital and say: "Gee, I need a triple heart bypass. Give it to me now or otherwise I'm going to lose my three-month waiting period." There's that whole physician interface.

Through Bill 50 I think the government and the OMA have in fact decided to take some ownership for the fact that they have to be a lot more diligent in screening and weeding out those situations where they know. They'll know that if they don't have a frequent contact with that particular individual, there's something suspicious about that.

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Mr Callahan: You're quite right with the doctor. I think when you go into a doctor's office, they normally do ask you for the health card, but if you go into a hospital you don't even see the doctor. This is given to somebody sitting behind a desk who takes a look at it and notes it somehow and then you go into the clinic and see the doctor. He doesn't care where—you know, it's paid for earlier.

Ms Segal: But if you were to go into the Toronto General, where they have the swipe reader now, they wouldn't accept their old card.

Mr Callahan: Oh, I appreciate that.

Ms Segal: They would accept only the card that has—

Mr Callahan: But that's my point. My point is that if we only have four now and only 50 in 1995 and only 50 in 1996, that's 104, and we've got 273 hospitals in the province of Ontario. What I'm saying is, who's got their finger in the dike, who's got their finger in the dike to stop this? It's happening, I'll bet you, if you go out and check. Who's going to stop that money flowing out between now and 1999 or 1998 when we'll have, hopefully, machines in all the hospitals?

Ms Segal: It is our plan to put in place at least 50 hospitals in this fiscal year and at least 50 as a result of the OMA agreement. That is certainly a minimalist approach and that's not our intent. Our intent is to make

it available to as many hospitals as is possible. That's been our objective. Clearly, that has to be tempered with the moneys that are made available to us in order to implement the plan.

Mr Callahan: Can I make a suggestion? I suggest that the Minister of Health tomorrow morning write to every hospital in Ontario and tell them to get rid of their plastic machines, they can no longer do this, that if they wish to be paid for the services in the hospital they have to ensure that someone has seen the present health card, because if you don't do that—I mean, it's like night follows upon day that this money is still draining out through the great black hole. You haven't got just 20 million health cards out there, the legit ones; you've got probably 40 million of these.

Mr Perruzza: Bob, can you say irrevocably that they have no policing system for those cards?

Mr Callahan: Yes, I can, because I have gone into the hospital, in answer to my colleague's question, and handed that to a person behind a counter. They ran it through some sort of a scanner or something or took a picture of it, and then I went into the clinic and got the services. They never even asked who I was.

Mr Perruzza: Were you being recommended by your doctor or did you just walk in off the street?

The Chair: Order.

Mr Callahan: I just walked in with that card. They give you that card once—

Mr Perruzza: What did you ask for? You said, "Look, I'm bleeding, please take care of me"?

Mr Callahan: No. The hospitals in Toronto—I can't speak for all of them—

The Chair: If I may, Mr Callahan, Mr Peters would like to comment on what you're saying.

Mr Peters: If I may, when you got this card you were asked to produce a health card.

Mr Callahan: Yes, it's got all my details on it.

Mr Peters: Exactly, and that is the point. There is a safeguard here, and I'm speaking from the background at the moment of being a volunteer member of a board of directors. Firstly, this card is issued by the individual hospital on the basis that they have a patient information system in the hospital, and they're all different. I think this was the point made by the ministry this morning, that of all the patient information systems there are very few that are the same from hospital to hospital. The order to disuse or discontinue the card would not be a practical one at this point because that card ties into their local information system.

The other point is that the hospitals themselves are not on a fee-for-service basis. They are on a funding basis from the ministry for the hospital funding. Whether 15 people show up with this card or 150 show up with this card, it really doesn't make much difference to the hospital. They're not getting any more money or any less money because more or fewer people show up. So the use of this particular card as an alternative to the health card would not be a practical way to do it. They rely on getting the health card.

The other problem that a hospital has, the real problem, is, most of the time, the emergency. That's where the problem can occur. In other words, if you get a car accident victim there, the last question you want to ask is, "Are you having health coverage?" or whatever. You look after the person, fix them up and do whatever. For the quadruple bypass, you need a reference from a GP to a specialist, a specialist has to come in, you have to schedule—

Mr Callahan: That's maybe a bad example, but what I'm saying is that a procedure that—all I'm concerned about is somebody's losing money. It may be, as you say, Erik, that it's the hospitals that are losing some of their global money, which means they can't provide all the services and they have to collect \$75,000 from indigent people in my community because of that. But all I'm saying is that the card is out there and it is in fact being used, I'd be willing to bet, by a lot of people who shouldn't be using it. That's all I'm saying.

Interjections.

The Chair: Let him have the floor.

Interjections.

The Chair: No, the point is, you do not have the floor and you do not have a point.

Mr Perruzza: Look, why don't we all just come in here and just say what we want, okay, so that it can be repeated, and if it's repeated enough times—

The Chair: You're out of order, Mr Perruzza.

Mr Perruzza: —then it becomes fact. Right?

The Chair: You had your opportunity when your party had its time.

Interjection.

The Chair: I understand that, but you cannot interfere with another member's time in a reasonable fashion.

Mrs Marland: I have to show my health card with my hospital card.

Mr Perruzza: There you go. Show it, Margaret.

Mr Peters: If I may make one other additional comment—

Mr Callahan: Well, it's not the case in Toronto.

Mrs Marland: I'm talking about Toronto.

The Chair: Mr Peters, if you would like to make a comment, I will allow some additional time.

Mr Peters: May I come back on one other point, Mr Callahan, that maybe helps out in this? The decision whether or not to pursue a patient for payment actually rests with hospital management, which is independent. It's not with the minister.

Mr Callahan: I appreciate that, but there are instances, and it's happened in all governments that have been in power, that an order in council can be made. I've seen it happen, and I've seen it happen more times than I can think of, where in fact the Ministry of Health, by order in council, says, "You're covered." Cabinet can do anything.

All I'm saying is that in this case I find that if this money is all going out the tube on the global budgets of hospitals, if I'm right that these cards are doing that, then why is my constituent being penalized for having taken the steps to provide \$25,000 worth of coverage for her, where all this other stuff's going on and there doesn't seem to be any control over it?

The Chair: Thank you, Mr Callahan. It is now 5 o'clock. I've had a round for each of the parties and we will conclude with this segment. I'd like to thank the ministry for appearing before us. I believe there will be an opportunity for us to deliberate on this matter as a committee further. We will be in touch with you on that basis. Thank you once again for your patience.

Mrs Marland: Mr Chairman, I just want to say on the record that I've enjoyed asking the deputy and the staff questions today and getting direct answers. It's a pleasant change from asking the minister questions.

The Chair: I would concur with you that it was certainly a pleasant experience for everyone and we did get straightforward answers.

Mr Perruzza: They're already moving into the office. I love it.

Mrs Mottershead: We do have a number of answers still to provide and we will do that through the clerk of the committee.

The Chair: Thank you. We're adjourned.

The committee adjourned at 1658.

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Also taking part / Autres participants et participantes:
Peters, Erik, Provincial Auditor

Clerk / Greffier: Decker, Todd

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service

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Governance by boards of directors

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STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Tuesday 6 September 1994

Mardi 6 septembre 1994

The committee met at 1009 in committee room 1.

The Chair (Mr Joseph Cordiano): Members of the public accounts committee, welcome back to all. I guess this is the fall; we should get down to some serious work. When are we coming back, by the way? When are we sitting again?

Mr David Tilson (Dufferin-Peel): Hallowe'en.

The Chair: That's a fine date.

Mr Cameron Jackson (Burlington South): Are you asking us or are you asking them?

The Chair: I'm asking you; I haven't heard yet.

GOVERNANCE BY BOARDS OF DIRECTORS

The Chair: This morning we have on the agenda the issue of governance by boards of directors. This was something raised over and over again with respect to non-profit housing. I believe we have the auditor making a report to us this morning, so we'll take it from there.

Mr Erik Peters: Good morning, ladies and gentlemen. Just a quick overview on governance: The presentation will consist of a few introductory remarks, we have a tape to view that takes about 31 minutes, and afterwards I have some further comments on governance.

In Ontario there are several thousands of governing bodies—our count is well over 7,000—responsible for organizations operating in health, housing, education, community and social services and many other government service and program areas. Each year these bodies administer a significant amount of public funds—for 1993-94 that amount was over \$30 billion—as well as a vast array of human and physical resources.

The magnitude of the contribution that these organizations make to the physical, economic and social wellbeing of this province would be difficult to overestimate. Given the importance of these organizations in the life of the province and the fact that they are so heavily dependent on taxpayers' money, it is clear that the quality of their governance is an important issue and one which merits that time and effort be invested in its improvement.

In the private sector, boards of directors exercise significant influence on corporate policies and performance, and great care is taken to select board members who will make optimal contributions to the corporate wellbeing.

Comparable care should be applied in the public sector. Individuals appointed to serve on boards of directors or similar governing bodies ought to, and fortunately very often do, effectively serve the purpose of the organiz-

ations they govern and ensure that those organizations are performing well.

The recent events that led this committee to deal with the qualities of governance emphasize the importance of good governance in the administration of public resources. I am referring to the recent hearings of this committee on the affairs of Houselink Community Homes Inc and the Supportive Housing Coalition. It was as a result of those hearings that the committee made a number of very useful recommendations on service delivery for non-profit housing, involving quality of governance by the boards of directors of all organizations providing such services.

So the good news is that this committee has taken a first and important step towards dealing with governance. Specifically, the committee recommended:

"Ministries should reassess their program delivery mechanisms and the effectiveness of the organizations they have established as their service delivery agents to operate government-funded non-profit housing. Such a reassessment should be conducted to improve controls over these organizations and to make service delivery more economical and effective."

This presentation is intended to stimulate discussion as to the next steps this committee can take to improve governance in public organizations.

One such step is to consider the points made in the video which is upcoming. Its central proposal consists of six principles of effective governance. A brochure listing these principles is provided in the material distributed to you. That avoids your making copious notes or trying to write them down as the video proceeds.

Ms Dianne Poole (Eglinton): Auditor, I apologize for interrupting, but I was looking through the brochures. The CCAF: It never really identifies what those letters stand for.

Mr Peters: I was about to come to that one and introduce the tape. It's the Canadian Comprehensive Auditing Foundation. I am one of the governors of that foundation; it comes with the territory of my job.

After viewing the video, I would like to give you some additional information on governance and on the relationship between governance and accountability. I will also suggest to you some areas for discussion which may prove useful to your making further recommendations regarding improved governance.

Could we turn on the video, please.

Video presentation.

1047

Mr Peters: As you can see from the foregoing, the most critical element of good governance is the quality of people who are members of governing bodies. What qualities should be expected of a member? One would expect honesty, good faith, diligence, loyalty, absence of conflict of interest, skill, prudence and acceptance of responsibility. What qualities should the board as a whole have? One would expect making the right decisions, achieving the expected results, and fulfilment of its fiduciary and management duties. Let me focus for a moment on these two duties and what they mean in terms of governance.

Fiduciary duty: For many people, fulfilment of fiduciary duty means taking great care in handling money through cash controls, careful purchasing procedures, audits, spending money appropriately and safeguarding assets. Certainly all these activities fulfil fiduciary duties. However, they are not the fiduciary duties of a governing board—they are not—but rather those of management. A board of directors should essentially put its fiduciary perspective into a broader context and focus its attention on the results to be achieved by the organization; for example, by specifying the quantities and the nature of benefits to be produced, the recipients to be benefited and the acceptable cost of those benefits. Fiduciary responsibility, then, means getting value for value spent.

This does not mean a board can ignore its fiscal responsibility. However, a good board is aware that its job is not fiscal management but the governance of fiscal management. Therefore, the board job is not to do, but to set expectations and criteria for performance and to monitor performance against those expectations and criteria. In practice, this is often not done by boards of directors, which frequently get caught up with examining management reports and copious detail without having established criteria on hand. Monitoring is then often neither rigorous nor focused, and in these cases it actually works to disempower the chief executive officer and the management team when the board ought to be doing just exactly the opposite, namely, empower the CEO and the management team to take the action necessary to fulfil the board's performance expectations.

Managerial duty: Managerial duty includes supervising the chief executive officer, providing guidance and policy direction based on adequate knowledge, and complying with legal requirements such as properly maintaining the books, records and minutes, enacting bylaws, ensuring the proper election of officers and, last but not least, appointing an auditor.

Next I would like to describe briefly the way in which boards of directors fit into the accountability framework which you, this committee, have asked me to pursue.

(1) The Legislature or the ministry sets objectives and assigns the responsibility for meeting them to a board of directors. That's step one.

(2) Both parties agree on the specific results and the performance to be achieved, as well as how these results and performance will be measured. This step requires a performance contract or memorandum of understanding.

(3) The Legislature or ministry gives the board of directors the authority necessary to carry out its responsibilities and to achieve the specific results, or, in other words, it empowers the board to do its job.

(4) The board of directors then sets its objectives, decides on specific results and performance to be achieved by the organization. The chief executive officer is informed of these aims and is empowered by the board to achieve them.

(5) The CEO reports periodically on results achieved and demonstrates that responsibilities have been carried out appropriately. This process is termed "accounting for results."

(6) After receiving assurance through its objective and independent evaluation, the board of directors reacts to and acts upon the results that the chief executive officer has reported.

(7) Finally, coming full circle, the Legislature or ministry receives, in keeping with the reporting regime it has established, reports from the board of directors about the organization's performance.

That is the accountability framework as we see it.

At this point, I would like to let you know that legislative researcher Anne Anderson, whose assistance I gratefully acknowledge, and I have available on request the following resources on governance which you may find worthwhile.

One is a document entitled *Unfinished Business*, which is a report on the appointment process to boards of directors of federal crown corporations. It's done by Gérard Veilleux—former president of the CBC, incidently—of the Canadian Centre for Management Development. This report has several appendices, of which appendix C, the Code of Best Practice, authored by the Cadbury commission in the United Kingdom, is included in the folder which we have provided to you.

The second document—I believe it has already been made available to you, but it could be made available to you again—is *Liability of Directors on Volunteer Boards*, and it's done by Avrum Fenson of Ontario's Legislative Research Service.

The next document available to you is a document entitled *Where Were the Directors?* This is prepared by the Toronto Stock Exchange committee on corporate governance, the Peter Dey committee, and it's subtitled *Guidelines for Improved Corporate Governance in Canada*. It is a draft report, and it does cost money, \$10 a copy to get.

The last document I wanted to mention to you—and this may be also worthwhile for Hansard to note and I can turn a copy over to them—is the script of the entire video you have just seen.

If you are interested in obtaining any of these items, please let either Anne or me know.

Among the handouts in your folder, I would like to highlight a document entitled *Governance Information Check-Up*. This document clearly links governance with effectiveness, which is a link that must be clearly established to improve governance. It has also, if you want to further understand accountability, a number of very good

and sound questions that should be asked in respect of effective governance.

I'd like to conclude by identifying some of the issues related to governance that you may wish to explore as a committee and which could lead to future recommendations for improved governance.

First, what should the criteria be to determine if a program or service should be delivered by an organization run by a board of directors? In other words, which programs should be administered directly by a ministry, and in what cases should there be a board of directors appointed to deliver the service or deal with a particular issue?

Second, what kind of selection, election or appointment mechanism should be used for board members? As some of you know already, there is an appointments secretariat in the government which covers some boards but not all boards, and some discussion might be on the mechanisms that should be in place to do this.

A further question is, how should the knowledge and qualification requirements of board members be assessed? Who should do the assessing?

How should performance expectations and results for entire boards of directors be set?

Last but not least, is there an obligation by the government, central agencies or ministries to provide orientation and training for board members?

These are some of the points I thought you might want to consider in your deliberations.

I am firmly convinced that any action by the public accounts committee to improve the governance of the many organizations which deliver government-funded programs and services in Ontario will better the administration and the use of public funds and resources in Ontario.

That's the end of my presentation, Mr Chairman.

The Chair: Thank you, Mr Peters. I suppose we'll just take a list and go from there, unless members want me to apportion time to each caucus. How would you like me to go about this? We'll just take a list. Ms Poole.

Mr Jim Wiseman (Durham West): And an approximation of equality of time.

The Chair: I'll be fair.

Ms Poole: A list to be revisited at any time. How about that?

Auditor, thank you for your presentation. I think it was very well done and highlighted a number of the issues we've talked about on this committee over the last six or seven years.

The question I have for you relates to how you implement this plan. Prior to your term as auditor, under the mandate of the previous auditor, there were audits done of three universities; this was in the late 1980s. There was great objection by the universities about the government intervening to do an audit, and there were accusations that if the government had any type of direct role this would impede the universities' academic freedom. They were extremely reluctant, to the stage of getting legal counsel involved, to have the government

have any role in the governing of their institutions.

In a way, this is the same message we heard on the video today, which is that the government should set the rules and then get out of the way. My concern, with the university example, is that there might be many agencies, crown agencies, boards, that aren't even willing to have the government set the rules. How do you see this working? How do you see putting this in place? Do you see it through the legislative framework, or do you see sending out a proposal to all the various agencies and boards in Ontario and asking for their input? How do you see it unfolding?

Mr Peters: Actually, in a number of ways. The first step in that particular direction has already been taken, fortunately, by this committee in November, when it dealt with the Task Force on University Accountability. That has pushed accountability by the universities to such an extent that they are now willing to deal with this issue, and we continue to work with that community. In fact, I met with the people from the Council of Ontario Universities a few weeks ago, and they have actually invited me to make this presentation to them in October, for further presentation to the various senates and boards of the universities. They're very receptive to this approach. That's one step.

Ms Poole: Just before you go on to the other steps, the universities themselves produced a paper on university accountability, but I still sensed there was some reluctance to allow the government to, in their eyes, interfere. In your recent meetings with the universities, do you sense that there is a willingness to move; that if government sets the rules, as long as they have the flexibility within those rules to act, they would accept that?

Mr Peters: There seems to be a significant push in that direction within the community itself, great interest in that, to answer that question specifically. To safeguard their institutional autonomy and their academic freedom, as they put it, they would certainly like to govern this, to the greatest extent possible, by themselves. We have had several discussions and there will be ongoing discussion to balance the rights of the funders of the university, namely, the government to a great extent—some universities are up to 80% funded by the government—as opposed to the rights of the faculty, the board, the senate, the students etc for autonomy and for their freedom. But this balancing act—there will be some ongoing feature.

As you know, one of the concerns I expressed at the end of our last meeting when we had the university task force before us was that while this committee dealt with the task force itself, we've really not dealt with the accountability of the entire university system, for lack of another word. In other words, how, in the view of the Legislature, should the 17 universities work together as a system to avoid duplication of public funding given in the same areas, to ensure that the objectives are met at the university level as well as they are being met right now at the primary and secondary educational levels. There is still a gap, and that is something to consider in the future, whether somebody wants to take the next step of governing the universities to that extent, of installing

a legislative accountability framework for universities. That would be my answer to your question.

1100

Mr Stephen Owens (Scarborough Centre): I think we have two different kinds of boards: the university board, the board for a ministry agency, and then there's the community-based boards. How do you get community-based boards to follow some of the best practices which are outlined but still maintain their community identification? How do you go about selecting membership? Do you have views on that? Do you have documentation we could look at from the non-profit, community-based, grass-roots—however you want to call it—perspective?

Mr Peters: I don't directly have information I can give you. This is in the outline. Copious documents on boards and governors are starting to come out. As the foundation said on the tape, and I echo that view, it's an area that really has not been addressed. Many organizations have addressed management problems and are telling management continually how to do things better, but very few initiatives have been taken to ensure that mechanisms are in place for the proper selection and appointment of board members. This is why I felt this would be one of the areas that discussion should be stimulated in.

Mr Owens: I'd also like to take a look at stakeholder participation on boards. For instance, we've been discussing, on and off, Metro housing. Where on that board, for instance, would tenants, if anywhere, play a role? Again, with some of the community-based non-profit agencies, wife assault shelters, where does the staff-client balance come in? Could we examine that in some manner?

Mr Peters: I think it will have to be examined in some manner, because what is happening very often, and this is something that afflicts many boards, is that many boards, instead of governing, have a tendency to deal with individual cases in great detail because they feel they can resolve individual cases, and the idea is if you resolve a sufficient number of individual cases satisfactorily you end up with a better institution. The problem with that is that in reality, that's not so. You solve an individual problem and that problem is resolved, but in the end you end up with no governance of the institution.

When some of the people we have been in contact with who have recently, for example, reviewed the activities of various boards, the first thing they told me—this was in the non-profit housing area, for example—the first view that was expressed when we discussed it was that they were actually alarmed at the extent to which the board dealt with individual cases as opposed to governing the institution and having the institution foremost.

Certainly the contribution that, for example, individual tenants in housing make to the board is worthwhile and is a problem identifier. But it should be initially a problem identifier to the management of the institution, and it should be the board's responsibility to ensure that the institution itself is run properly and have management accountable for fixing the thing rather than the board itself.

The Chair: On that point, if I may, I'd like to follow it up with respect to a non-profit board. Ultimately, just to follow this through, the board is appointed in what manner? Let's take, for example, a non-profit housing agency. If we're to examine the criteria which are being used, many of these agencies are given a life as a result of their ability to bring forward a project, so at some point there has to be a screening process in place. We now have heard from the Ministry of Housing regarding changes that have been made with respect to that, but the details of which I'm still not familiar with. How is a board selected? Has any change been made to the way in which boards are selected?

Mr Peters: It's a good question. I do not have the answer to that here, handy. It may be worthwhile hearing from the ministry in more depth if you wish.

The Chair: What criteria are used? This is in the context of what we're dealing with.

Mr Bruce Crozier (Essex South): I just have a couple of general comments, something that somewhere along the line may bring out more discussion, or we may simply think about it.

The question of responsibility or accountability is one of the key elements when it comes to looking into this governance question overall. I suspect that too often the members of the boards themselves don't know who they're responsible and accountable to. If it's a board of education, is it to the students or is it to the parents or is it to the taxpayers? If it's public housing, is it to the tenants or is it to the ministry or is it to the taxpayers? I guess we're all ultimately responsible to the taxpayer, but I think that's one of the things that people are appointed to boards to do and don't really understand and that we should maybe explore a little more.

Second, I'm afraid that all too often appointments are made to boards with the idea primarily of filling the position—in other words, you have to get your eight or nine or 10 or whatever number on your board of directors—but that there isn't enough time and effort taken in either the appointment process or the election process. That's something I think we need to look at to give some advice to those responsible for appointing and selecting boards.

Just as a final comment at this point, I must say that with this video and the little time we've spent this morning, Mr Auditor, I have a better understanding of governance than I did in a full day of the session with police services boards. We could perhaps pass this kind of information on to them.

Mr Robert Frankford (Scarborough East): The video, at least to my mind, made it seem rather easy, that all the same rules generally apply and the same good practices would apply. But I think there are some fundamental differences between the private, for-profit sector and the rest: non-profit, government-based, whatever we want to call it. I'm sure it's not that easy in the private sector either, but at least you know you have accountability to your shareholders and to the bottom line, while in the other sector we are talking about a whole range of objectives which may well conflict.

So I don't think it's that easy, just to say you can define that there must be conflicts between the effectiveness of what you're doing and the amount you spend. I think we also have to be very careful of getting snowballed into thinking you can only have better programs if you spend more money. It's a very popular belief in health, certainly, and probably in every other field as well.

So there is this inherent mix of objectives, and it reminds me of what we as elected politicians are doing: We have to balance those things, and I don't think we can say there is only one objective that we're aiming at, that we're only fiscal accountants. We are into developing things for the broader public interest, which comes in many different directions.

1110

From that, one can even ask, should some of these things be more politicized, in a good sense? You know, because there is no one answer, let people apply for it and ultimately their accountability is at the ballot box. Sometimes this is semirecognized: Some boards, I think, have ex officio positions from municipal councils or whatever.

I'll give you one example. There's a community health centre in my area which has a local councillor on the board. I don't know, maybe this is ex officio, but I don't think so; I doubt if the ministry put that in place.

But that's the way it is. You could argue this for or against, but perhaps that's something which should be looked at more: the extent to which there should be established links, or even making some sectors which now are delegated by the use of non-profit corporations more directly accountable politically.

I would point out that in Scandinavia, the local health system is actually run by elected councils. Maybe this has advantages. At least, presumably, it gives an overall accountability framework and then provides a fairly universal approach as opposed to what we have here, which is rather piecemeal.

As was said, many of these local community non-profit approaches come about by local initiative. Some people decide they want to put up housing or whatever and they may well form the non-profit before a ministry is even involved; there's nothing to stop you doing that.

In response to Mr Cordiano's question about what the criteria for boards are, as far as I know, it all depends. The initiative can come centrally or it can come locally, that an organization can set itself up with its own bylaws and can put in its criteria for directorship or whatever. The ministry may dislike that and say, "No, this is an interim arrangement and we can't accept it," or they may just go along with it. I suspect that if you go out and examine what is out there, you'd find a huge range of things.

In these discussions, I keep on thinking of Houselink. What do we know really about what its objectives were and how it was set up and what was happening in practice in terms of the selection of the board? It probably was fully in accordance with the bylaws that were there. It may in fact have been quite good in some ways,

but in other ways, obviously, there were problems and the organization became dysfunctional.

That question also arises: What do we do when things become dysfunctional in the public sector? Do we give the ministry the right to come in at any point and fire a board or do we do that only in very extreme circumstances? Do we give enough guidance—and of course we also have to think of the board members as individuals. If they're voluntary members, if headaches start developing, the point is going to come at which they will just say: "Goodbye. This wasn't doing anything for me."

I just thought I would ramble a bit.

The other question, I think, is around information and openness. It seems to me that questions about open information, freedom of information, should be looked at more broadly, let's say, in hospital boards and universities. I would think there's a good argument for open meetings, freedom of information. Should we be looking at some recommendations on that?

Mr Peters: If I may make a comment, you have added another point to the agenda, in my view, which may be worth discussing, and that is the role of the boards themselves. In other words, in the government context, is it really necessary to establish boards that have a full governance role, or, in some of these community-based organizations such as the community health organization etc, is it worth following models that are used in other countries where, for example, boards are set up to have strictly an advisory capacity to the people who are actually running the institution or organization in itself?

For example, one that comes readily to mind is the German broadcasting system, which is run by executives and the board of directors is actually strictly advisory. They advise on programming, they advise on what the community would like to see or whatever, but they don't have a full governance responsibility, which is actually left with whatever the organizations are in charge. It's the superintendent of the network, or whatever, who has the principal role. This might also avoid, in a lot of cases we're finding here, the board getting involved in very copious detail.

If I think back on my term on the board of a hospital, it's surprising how much detail; the whole board getting involved, for example, in whether privileges should be granted to physicians, with really fairly little knowledge, basically, of what education is required, what the OMA requires of a physician etc. It's merely following a process as opposed to being involved and knowing the detail. Maybe the medical advisory committee is a far better body to advise the CEO of a hospital to whom he should grant privileges than the board as a whole.

The point is really that that is another very good question. In order to determine what the outcomes or results are of publicly-constituted boards, is it really necessary to have a separate organization?

From my perspective as an officer of you, of the Legislature, it strikes me that your wish, your objectives, the results that you as legislators want these organizations to achieve, should be really paramount, and it is up to the

Legislature, through legislation, to determine which of these bodies should be fully governed, which should have advisory committees, which should have other bodies that might help them in carrying out their duties.

The Public Hospitals Act is a good example of that, where in fact the legislation prescribes the board of directors but it also prescribes the functions of the chief of medical staff, the medical advisory committee etc.

These are areas to consider in legislation. For example, to come back to Ms Poole's question on universities, for example, if and when legislation is contemplated to deal with the universities, it may be very much worthwhile to identify and clarify in the legislation the roles that each of these bodies should be playing in that environment.

Mr Jackson: I have a couple of questions in three areas. As to the first, I guess the trigger was Mrs Green, the director of education for Toronto, referring to who does the steering and who does the rowing. As someone who has spent 10 years on a school board and now 10 years here at Queen's Park, I have some concerns about the differences that school boards enjoy from municipal councils and other publicly elected boards. In a sense, we're talking about the same thing.

It strikes me that the position of the director of education is unique in this province, and I wonder if that's not an area where our legislation in Ontario causes, to a degree, part of that dysfuncia that may occur with school boards with too much power being vested; that school boards aren't really steered by trustees, and if they're not allowed to steer them they end up doing the work, and then the professional staff or management, if that's what we're going to call them, complain that the trustees are trying to do all the work, but that's the only role they've left them to do.

1120

Even though there have been, from at least one committee in the last 10 years I've been around, recommendations that we re-examine that—one of those recommendations in fact came with support from the auditor's office prior to your arrival, Mr Peters—it strikes me that if we're going to have school boards even a little more open and a little more public, meaning publicly disclosed, the role of the trustee can be strengthened by dealing with this duality, the role the directors of education have. That's not what's occurring in the municipal sector, where they have their administrative models, where they have a chief operating officer and a mayor and their roles are very clearly defined.

Could I get some comment from you on whether there's any room for this committee to examine, in a very specific way, this subtle difference which exists in Ontario, which I understand exists only in Ontario vis-à-vis the other provinces, in terms of the concentration of the power and the dual role that the directors of education hold.

Mr Peters: This issue we dealt with when we did our report on curriculum development as well, on special education, which already has had major ramifications, where in fact our view, and I won't part from that, is that curriculum development is impaired because the

accountability framework is not clear. In fact, in the special education, we know already that we're not delivering as a province because the accountability framework is just so impaired that we can't deliver it.

The initial steps taken by this committee—and with deference to Ms Poole, this is a further answer to her question as well—is that this committee then looked at the role of the auditor in this, to begin with. My hands as Provincial Auditor are really tied, inasmuch as I can only look at accounting records of the school boards and we cannot look at other information which could be made available to deal with the dichotomy you're describing. That would be one way of dealing with it, but I would not consider it the preferred way of dealing with it.

The preferred way of dealing with it is really to clarify the roles and responsibilities and make proper segregation of duties in this particular regard an everyday occurrence rather than one there is some attention paid to whenever the auditor arrives; so on a day-to-day basis. That's a very important distinction that has to be made, the roles and responsibilities. That happens throughout.

School boards, like many other boards, suffer from two aspects, one of which is clearly on the tape: that the members come to the table with a totally different agenda than the wellbeing of the school board itself; they come with a particular issue.

The other one is that many school boards get involved in incredible detail. I know of one school board, for example, in trying to determine the distance from the building at which the students should be picked up, that spends endless hours discussing whether the measuring point should be the front door of the school or the back door. This getting into the sort of doing business as opposed to governing business is very difficult. That's why one of the solutions may be ultimately to give some of these boards more of an advisory role and give somebody the power to really do.

Mr Jackson: Then there has to be accountability. Once the power of the trustees or the authority of the trustees in one sense diminishes—these are publicly funded institutions, and someone has to hold those with their hands on managing the system more accountable for the repercussions. In the private sector, the harshest form of course is that you lose your job when you've cost the corporation millions of dollars, but in many of these other organizations, publicly funded, that's not the case.

There's a second area I wanted to touch upon. Last week I was involved in Bill 163 hearings and the issue of conflict of interest in the new municipal guidelines was constantly being presented. A lot has been raised about the new rules on conflict of interest and why it does not extend to boards and commissions.

I wonder if there is any comment from the auditor's office with respect to that—I assume your office was consulted about 163 and the rewriting of the municipal conflict-of-interest guidelines; maybe you weren't, but perhaps you could indicate if you were—and if you have any comment about extending that accountability net to the kinds of boards and commissions which are being discussed here.

Mr Peters: First, we were not involved, we were not consulted, but we do have a view on it which I carry on. For example, at the federal level the conflict-of-interest guidelines are very clear: There are conflict-of-interest guidelines for governor-in-council appointments and there are guidelines for these boards and commissions which should be followed.

Mr Jackson: When I asked the question about the conflict guidelines—and I hate to keep going back to the school board, but I raise the issue of teachers, for example. To be related to a teacher, to be an actual teacher of the neighbouring board, you could run for a school board. In my school board there are more trustees with conflict of interest than there are trustees without a conflict of interest, so they constitute a majority of the board. But the two substantive activities of any board are labour negotiations and the budget, both of which are intrinsically tied to teachers' salaries. Therefore, on any given day in Halton region, 10 or 11 trustees have to leave the room or declare a conflict.

When I asked if the Sewell commission, in its wisdom, dealt with this issue, they said no, that they had in fact been encouraged to stay away from that. I wonder if there isn't any room for this committee to examine that. And to be fair, let's just assume there is no conflict. What it does is disfranchises a substantive number of people whose sole purpose is to be democratically elected and contribute. You can look at that altruistic question, even if you don't look for shadows. I wonder if there may not be room, through the Chair, for this committee to examine that issue, because we're getting disproportionate representation of persons with a pre-determined conflict of interest for what constitutes the majority of the activities of a given board or commission.

The Vice-Chair (Ms Dianne Poole): Mr Jackson, as you've made that suggestion, when we are finalizing our conclusions on where we would like to head with the issue of governance of boards, perhaps that's something we can discuss as a committee. I assume you didn't want the auditor to comment on that particular aspect of what the committee should pursue.

Mr Jackson: No. That's why I suggested through you to the Chair.

The Vice-Chair: I'm just chairing until Mr Cordiano returns.

Mr Jackson: My final question has to do with the whole notion of conduct. In your verbal presentation following the video presentation you talked about the kind of person ideally suited to serve in the capacity of a board of a commission, and you talked about skill, honesty, prudence and acceptance of responsibility. I want to ask you about the question of conduct. I think conduct, for a public institution, is becoming as important as the issue of conflict.

For example, would we really want to recommend someone on a police board who has a criminal record? According to the rules, that's not a problem, but is it appropriate? Would we wish to, for example, appoint someone to the board of a children's aid society when they're a known paedophile? Those are questions, although sensitive and delicate—I think somewhere we

have to be asking the question, does this or does this not affect their performance and/or their ability to serve in a capacity when they're earning a per diem and they're charged with a legislatively based set of responsible guidelines?

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Finally, the responsibility lies with us as legislators who make the appointments. Where is that sense of responsibility if we willingly nominate, in a process which may be up for scrutiny but can't be changed—I'm at a loss for a word here. The process is controlled by the government of the day, and there is public scrutiny but the outcome is still the same: that they can direct an individual to that position. Where is the responsibility and the link back to those who made the appointment? In my view that's as important. There is one that's going to court and I don't want to deal with it. It deals with the parole board, and I'd rather not comment on that one because it is going to end up in the courts. It shouldn't end up in the courts. But the issue is going to be, how did this person get appointed and why did they make such a terrible decision?

I wonder if there is any comment on that whole area about the issue of conduct, since you raised the issue of honesty, prudence, acceptance of responsibility, skills, yet this person's conduct may predispose them to not being as effective a contributor as they could.

Mr Peters: I would highly recommend this as an issue where this committee may want to make recommendations. There are different models; for example, some legislatures in Canada have created a committee that deals with a specified number of these questions, where they actually ask candidates for certain positions to appear before the committee to check this out.

Certainly it behooves every board of directors—one of the first issues they ought to look into is a code of conduct for themselves so the role of the legislator is somewhat eased by being able to assess whether the organization does in fact have a code of conduct, and that there's also a mechanism in place that ensures that certain minimum standards are met in these codes of conduct as they are being set.

Mr Tilson: As each member speaks, it's quite apparent that the topics are rather overwhelming. The problem is that different governments have established that they can't handle everything so they appoint commissions or they appoint committees or they appoint boards. Hence the whole issue of accountability and how these people get on these boards and commissions has become more and more serious, particularly, more recently with this committee, with the non-profit housing issues.

And as Mr Owens said, there are so many different types of boards, such a variety of boards. There are people who sit on boards for nothing and there are people who sit on boards and get honorariums.

I don't know where we're going, Madam Chair, with respect to future debate on this topic, but I was particularly interested in two areas. One was the issue of performance contracts. And second, without getting terribly political, we've seen how rules and principles

have been set and may or may not have been followed, codes of conduct have been set and may or may not have been followed, so you look at the teeth of those things.

Mr Peters, you've indicated that you may not want to get into the issue of the direction the committee should go, but it's such a massive topic and I would like to hear your thoughts specifically about where the committee should in the future be going in this area: the whole issue of accountable, accountable to whom; the whole issue of how people are appointed; what you do with them when they get there; the failure to act on information, and who says they're not acting on information and what do you do if they haven't acted? All of these, to me, are rather overwhelming questions.

I guess I have one question: We're all giving our thoughts on this topic, but where do you feel the committee would be prudent to go?

Mr Peters: It is a big topic, and I tried to cut at about five or six questions that the committee may wish to tackle in this particular area. Within that, there are certain subcategories.

One is that there's certainly quite a bit of work done already by the Management Board secretariat that can be a good foundation. I've brought some of them along, some of the things that may be worth looking at. For example, there are guidelines on establishment and administration of agencies; as to what a manager should do; there are directives on government appointees, etc.

One of the first areas that would be really worthwhile for this committee to consider is taking this good body of work that's in existence and start pursuing who is monitoring it, who is taking action on it, who is actually moving in the government to ensure that these directives and guidelines are properly put into practice. I have certainly been a strong supporter of taking action on that. That would be the first area.

The second would be to establish some sort of guidelines or make recommendations that guidelines be established for the roles of boards in terms of: What boards do we want to actually carry out work? What boards do we want to be, for example, advisory?

I'll give you an example that brought this to mind. When the term "social contract" was first brought out, the first time I encountered it was when the Ministry of Health approached hospitals and said community-based hospitals should have a social contract with their community. As a board, we had one heck of a discussion, to be frank with you. We knew we would have to sign it, but who signs for the community? How do you identify the people? Any contract needs two parties to agree on something. We are very often saying that we want to have a community-based organization, but how do we identify the community that is the other side of the contract?

Mr Owens: That is precisely where my questions were leading. How does one explore that in terms of the duties?

Mr Peters: It is a very difficult question.

Mr Tilson: The other issue, of course, is that once you create these boards, commissions, committees,

whatever, if you try as a government to tell them what to do, whether you're talking about something like the Niagara Escarpment Commission—which I support; I don't mean to be critical—or a police services board, or the gambling commission, all of these things—try to tell them they're going in the wrong direction. You've created these monsters, and I say that with respect—

Mr Wiseman: You'd better have respect for a monster.

Mr Tilson: Exactly. Then what are you going to do with them? I look forward, Mr Peters, to your suggestions about how we're going to deal with the monster.

Mr Peters: If I may go back to the point previously made about the Management Board directives, one of the mechanisms the Management Board has actually put into place is the so-called memoranda of understanding. They are in many cases quite good documents. The difficulty with them, and this is where my office and I are continually pursuing the legislative aspect of this, is that they are administrative instruments right now and there's very little in place to see whether these are actually followed.

What I'd ultimately like to see is that when, for example, an organization appears before the estimates committee, as one body, or the finance and economic affairs committee or in fact other committees before whom these bodies are supposed to appear, the legislative committee takes up the issue of the memorandum: "Maybe you have a copy of it. Can we take a look at it? Are you complying? Are you properly setting out the roles?"

There are exemplary memoranda right now being put into place, for example, on the capital investment corporation; in many respects very good stuff, but it just ends there. It ends up being an administrative instrument that does not benefit the Legislature, which gives these organizations funding and needs some assurance that they're doing the right thing and performing properly and achieving the results for which they're put into being.

That may be another step to go.

1140

The Chair: If I could just make a comment, with respect to a philosophical point of departure, I think most of these issues around governance and accountability, in fact the whole area of discussion or debate, really stems from the lack of consensus in society about what it is we're attempting to do, what objectives are priorities, who sets those priorities, and how decisions are made or arrived at.

Take, for example, the question of employment equity, or let's go back one step beyond that: pay equity. Pay equity was mandated to municipalities and other agencies, boards and commissions, and many municipalities came back and said: "That's fine. You want us to implement pay equity. Who's going to pay for it? We don't have the funds to do that." I remember the debate around that.

You can look at a variety of these controversial issues, and with most of the questions around governance, the conflicts arise from the fact that there is no political consensus or a political culture that exists that says: "We're doing the right things. We're going in the right

direction." There are conflicts at every point. The same thing goes for the universities and colleges.

I think there's a question here around who is to set the priorities, the whole question of, does the Legislature of Ontario set the priorities? Quite frankly, that's debatable today, with respect to those issues; that's debatable among the groups who have to carry out and implement the mandate, in that larger, philosophical sense.

I think we ought to back up a few steps and say we have these governance issues. With respect to boards of directors, we can establish the tools, the frameworks in which to deal with the question of better governance, better accountability, and we can point to what that might be. But with respect to some of these very difficult political issues, I think you're going to have some resistance, which brings us back to the point about accountability and auditing functions. Ultimately, someone's got to measure what the outcomes are.

Ms Poole: When we come back to this issue in the fall and we're finalizing what direction we might like to take—I'm presuming we're not going to be doing that this week, maybe erroneously—when we do that and we're looking at, for instance, a couple of things the auditor has suggested, looking at Management Board guidelines and then guidelines for the role of boards, I'd like to also incorporate something about the necessity for training; that there has to be some training opportunity, particularly for a small board of directors who don't have all the opportunities that some of the larger ones do, to understand what the aims and objectives are of the accountability system, what the role of board members is. It could be done very inexpensively by way of video, perhaps some sort of agreement the board member signs that they have in fact viewed the video and read through the various guidelines and understand them.

Without that, I don't see how you can change the attitude, so when we do explore that further, I'd also like to take a look at what we could do to assist some of the boards that are smaller and not so formalized to understand the importance of governance and accountability and what their role actually is.

The Chair: I think it's just a question of trying to move forward with a report that makes some practical sense of this committee's deliberations. This afternoon we may want to explore what some of the parameters for a report are, what we may bring forward as recommendations for boards, agencies and commissions directly accountable to ministries of the government with legislation already in place. There is some sort of framework that currently exists.

I think one of the things we should have done was to ask a variety of sectors, housing being one of them: "What's in place now? What do you understand to be your accountability framework? What do you understand to be the issues facing your board or your agency or your particular area of responsibility?" If that's lacking, then obviously that has to be re-created, starting from scratch.

As we offer guidelines, offer recommendations around the report you've made this morning, Mr Peters—and I think that's very useful as a practical point of departure. But apart from that, going back to the governance

question, it's more a question of, what responsibility does the Legislature have? As we would discuss this, it ultimately has the responsibility for everything it mandates. How that breaks down is really an interesting question for further discussion, as we've already had that discussion around colleges and universities and quasi-public institutions. Are they accountable to the Legislature, and in what way are they accountable?

That's a question we are fully exploring as we go on, but in our report this afternoon perhaps we could get down to the business of what recommendations we might make around particular boards and how they govern themselves and some of the criteria which would be put forward for selecting board members. Can we discuss that further?

Mr Owens: Have you got a copy of those remarks?

The Chair: Let's discuss that this afternoon. I'm trying to frame it so we do something that results in a report that's practical rather than philosophical.

Ms Poole: Could I ask a question about timing? Mr Chair, while you weren't in the chair, the auditor made some suggestions in terms of what the committee could do to move forward. If I'm correct, I think he suggested we might look at Management Board guidelines and directives, and, second, to perhaps make recommendations for guidelines for the role of boards, that type of thing. Is that something we would do this afternoon, or is that something—

The Chair: I'm assuming that, unless there is further discussion around the points that have been made by the auditor, we would move towards trying to write a report making recommendations, unless we want further discussion this afternoon. It's up to you, really.

Mr Larry O'Connor (Durham-York): Last time, when we first started the discussion about having these hearings and deliberations on this, were we not mentioning the possibility of bringing in someone like the United Way that does a lot of work with volunteer groups and board development work, bringing in other people who may have some thoughts on development of guidelines? I thought we had had some discussion around that, briefly, when we were taking a look at some of what we may be looking at during this intersession.

The Chair: I don't really know how to answer that. It was agreed that the auditor would make his presentation this morning and in effect we would deal with the presentation on the basis that we would make some sort of report available from that.

1150

Mr Robert V. Callahan (Brampton South): Just as a curiosity, we're about to enter into a process which is called multiservice organizations. It's got some sort of acronym, MISA or something.

Ms Poole: MSAs, multiservice agencies.

Mr Callahan: I think this is of critical importance, and one would hope they have in fact examined this whole issue and determined how they're going to select people and how they're going to ensure that these people follow all the supposed guidelines in here, because that's going to be an organization that is going to be account-

able for all the long-term care in this province.

I'd like to find out, is there in fact a pilot or ad hoc or—what's the word I'm looking for? When you start out with a group that is at the head of all this, what do you call that? I can't think of the name of it.

Mr O'Connor: A working group.

Mr Callahan: A working group. Is there in fact a working group? It might be interesting to have one of those working groups come before us to get some feeling of how far ahead they've got in terms of dealing with the issues involved here. To bring in any organizations that are presently in existence, I don't think we're going to find out an awful lot from them. They either carry out their work properly or they carry it out badly. But I think it's important that we have something like this multi-service agency working group in to find out what they've got planned, because if they screw up, we're really in trouble.

Mr Jackson: On Mr Callahan's point, having spent two and a half weeks on Bill 173, the legislation he's referring to, my understanding—and my information's only one week old from when I left that committee—is that there is not a working group per se composed of persons who will form the board of directors of an MSA. In fact, such an entity doesn't exist. There are working groups pulling together the composition and determining the jurisdiction, the geography for an MSA, but in terms of people who now know today in Ontario whether they will be serving on a board of directors of an MSA, the answer is no, there aren't any.

In terms of the guidelines, as a legislative committee we were not given, as we are told they are not ready, the regulations around the appointment of these individuals. All we know is from the legislation, that they have to be a cross-section of users of the system and other vested-interest groups.

The final point I could share with Mr Callahan is that the Minister of Health holds absolute final say in terms of the composition and has an absolute veto right in terms of the board's makeup, which is a unique feature in terms of the development of one of these boards.

If that's helpful to Mr Callahan—I share some of the concerns he's raised, but I don't think we could bring persons forward right now who fit the bill that I think he's looking for. But it does raise some very good questions which are being discussed in the social development committee right now, Mr Callahan.

Mr Frankford: Developing Larry's point about the United Way, which I hadn't thought about before, it seems to me you can also have funding of non-profits which certainly should be accountable but not necessarily government-funded. I would think it would be best to have general principles on whether that agency is adequately accountable. Let me think of universities and hospitals. I would imagine they might be saying: "We were around before there was government funding. We get substantial amounts from other sources, privately or from other levels of government. It's not that simple, to say we are going to act as though we're fully accountable just to the province."

The Chair: Mr Peters, you wanted to make a point.

Mr Peters: Just a brief one. There's a motion right now which this committee has passed that you would like to have public hearings on the potential amendment of the Audit Act, and that those amendments principally deal with the issue of having access to information from various institutions that receive provincial funding. In this connection, it may be worthwhile to formulate also some of the questions around governance of the institutions or organizations that may appear before you. That may be worthwhile in pursuing the matter of what audit regimes should be established, because the audit regime is part of the accountability framework within which these organizations should be operating.

Mr O'Connor: Following up on Mr Callahan's suggestion, there is a group working with the United Way and the Association of District Health Councils of Ontario around development of guidelines and policies for volunteers and some of the roles they could play in MSAs. It's new since the last time we were discussing this issue in this committee. The working groups as defined, working on the multiservice agencies, are broken up into four different working groups and there isn't one, as Mr Jackson suggested, that will end up being an MSA. So it would be hard to look at that, other than maybe some of the work being done on the governance issue, period.

Ms Poole: With reference to Mr O'Connor's point, I recall the discussion which I believe took place in the spring on this, and there seemed to be a consensus on the committee that we should have some input from representative community groups or agencies. I'm not exactly positive, and I don't have the Hansard before me, but it seemed to me we talked about putting forward some sort of proposal or suggestions for guidelines for the role of boards and then we invite certain of these representative agencies or advisory bodies to respond and perhaps some of them to appear before the committee. I wish I could be more definite, but I do recall the discussion and that we did intend to proceed in some way.

We could incorporate that with the auditor's suggestion and do it at the same time as the accountability framework. But I think it's somewhat important that we get some grass-roots feedback before we distribute a final report saying, "This is what you should do," when we may not have the practical experience to know, in certain instances, what would really work.

Mr Callahan: The unique situation with the United Way is that you normally get people involved in that, either heading it up or volunteering for it, who are people who come from business and have a pretty good understanding of how a board of directors works and how the rest of the operation works. That's why I don't think we're going to gain a great deal of information from them.

I think the problem we've got is that the boards we're talking about range from everything from soup to nuts, I guess. These people really are put on there for a whole host of reasons, because they happen to fit the criteria of the various things—sex, age, cultural background and so on—so you really don't have the same situation as you

have with the United Way. The other thing is that on some of these co-op non-profit boards those people are in very serious difficulty. I have one in my community where the board of directors actually personally signed their signatures on a note to a bank and then called me. I said that was a very unwise thing to do because you are now liable personally for the debts of that non-profit corporation. When I looked at the Globe this morning and saw the number of non-profit housing out there and the number of groups it must entail—these people may be at serious risk for their own personal finances in terms of the way they operate these boards.

I think it would be important to hear from maybe a selection from the non-profit boards where they've had some success and they have people on there who are familiar with the workings, maybe one that's been in existence for a considerable period of time, and then look at maybe one of the agencies that is in effect already. Unfortunately, I don't think the Y will help you. They might tell you what you do, but it's not for us to be educated on what you do. It's important that we learn what's missing so we can help these boards out.

The Chair: Thank you, Mr Callahan. Perhaps we could break for lunch. As I've suggested, and it was actually Ms Poole who made it more detailed in her suggestion, I think it would be useful to move forward and continue the discussion and also to make recommendations based on what we've heard from the auditor today regarding governance and best practice, perhaps coming up with a set of criteria for choosing—these are just tools for choosing—boards of directors, and then moving forward and getting some reaction and response and feedback from groups and organizations out there. And that's not the end of our work. We're putting that forward for purposes of discussion and then attempting to get the feedback and working towards a final report around the accountability framework and changes to the Audit Act.

Mr Owens: Just a quick suggestion in terms of how the non-profit sector, for instance, is set out: I believe the Canadian Cancer Society in its organization is probably a lot different from ABC housing co-op or ABC women's shelter in the community, so those two issues are not commingled. There's non-profit and then there's non-profit community-based. Is that making any sense? We can't compare the Canadian Cancer Society with the Emily Stowe shelter in Scarborough and look at the same kinds of corporate objections.

The Chair: That's something we should consider this afternoon when we further discuss this. We have a day and a half left to go on this subject, so I'm sure we'll have a full discussion around the matter. We're adjourned for lunch. See you at 2 o'clock.

The committee recessed from 1203 to 1413.

The Chair: We are gathered here this afternoon to examine—

Mrs Margaret Marland (Mississauga South): We are gathered together to pray.

The Chair: Well, we are doing that each and every day, I hope.

Mrs Marland: We are gathered together to pray for the last year of the Bob Rae government.

Interjection.

The Chair: Order, please. We left off this morning with a view to assembling ourselves this afternoon and our collective thoughts around the question of governance by boards of directors.

I think we need to continue with regard to the discussion we had this morning. There was a suggestion made by Ms Poole around guidelines and determining the criteria for the selection of boards of directors. I guess the first order of business is that we'll continue with that debate. At some point, our researcher, Anne Anderson, will accumulate that and put that in some form of initiative with respect to writing a set of guidelines establishing the criteria, and we can examine that tomorrow. We were discussing this before we started this afternoon and I think it would be a wise way to approach this.

Ms Poole: Just before we start talking about the guidelines for the role of boards and the criteria, I wonder if the auditor could let us know whether Management Board has any current guidelines for board members that have already been formulated that might be helpful to the committee.

Mr Peters: Yes, there are. There's a directive concerning government appointees. There is a paper on the establishment and scheduling of agencies, but I'm not sure—we have some people from Management Board in the audience; they might be able to give me the status of that one. There's also a guideline on administration of agencies, and there is a manager's guide for the establishment and administration of agencies.

Ms Poole: It sounds like, while there is information about government appointees and administration of agencies, there wouldn't be any criteria, for instance, for boards of directors of non-profit cooperatives or that level of board involvement.

Mr Peters: Not at the Management Board level. Individual ministries may well have such a thing. For example, I know the role of boards of directors is outlined for hospitals in the Public Hospitals Act. So it would be ministry by ministry.

Ms Poole: So they would have crown agencies and also information about government appointees.

Mr Peters: That's right.

Ms Poole: So if we follow what both Mr O'Connor and I think Dr Frankford—somebody else mentioned this morning the fact that we have different categories almost, that you can't treat somebody from a crown agency in the same way as you treat a director of a non-profit co-op. Is the suggestion, then, that we would come up with guidelines for the boards of directors that would be separate from others?

The Chair: I think that would be reasonable. This is for us to decide, but I think it was clear that we have to make a distinction between those two.

Mr Frankford: Dianne went along the path I was going to, the question of whether non-profit housing or a legal clinic, whatever, comes in the same category as a

Management Board guideline agency. I think my question's been answered, but I would also have to follow along her questioning: Could we be setting some guidelines usefully?

The Chair: I would imagine it's appropriate to go back to what was presented to us this morning, that material, and then formulate in the discussion this afternoon what the criteria might be for those two different categories.

Mr Peters: I would just like to elaborate. The document I was not sure about is called Administration of Agencies 6-3, and it's a guideline. We had made it available to you last year, actually, when we were discussing the Workers' Compensation Board, and it is available to you if you would like it. I just wanted to confirm that.

As to the other question, if you ask my view, yes, there is merit in making a gradation—is that the word?—of the various boards, depending on the responsibilities the boards would like to have or that you would like the boards to have: full governance, advisory—and in fact there are different stages of advisory. There might be expert advisory committees and there may be committees that have virtually just a general community standing of some sort, background like that. If that helps?

Ms Poole: Do you have a proposal?

Mr Peters: No, not directly. I encourage discussion of it, actually.

The Chair: If I may, Anne has outlined some items for discussion purposes, and she may want to take us through this, just to formulate our discussion.

1420

Mr Tilson: Mr Chair, could I ask Ms Anderson a question before you get into that?

The Chair: Please.

Mr Tilson: I can't believe that the wheel is being invented in this room on this topic. There must be all kinds of jurisdictions, particularly in the United States and Europe, as I think was mentioned, that have dealt with this issue. Has there been any research done or comparisons with other jurisdictions?

Ms Anne Anderson: I think only in terms of the liability of directors, but not much in the broader sense of governance of boards in general, that I've got. I can certainly look into it. I don't have it with me right at the moment.

Mr Tilson: It gets along the line of the question and answer series we were just talking about. We have everything from groups that have been appointed by municipalities, provinces, and now we're getting into all these other areas such as the non-profit corporation. Volunteers sit on that not-for-profit, yet they're making decisions with vast amounts of provincial moneys.

The question by Ms Poole to Mr Peters was that you might be able to break it down as to different types of committees or different types of boards or different types of commissions. I see all kinds of these groups, a large variety, a large spectrum. The prospect of writing standard rules and regulations or policies or codes of conduct

or, I think the other term you used was some sort of performance contract—to make a standard performance contract or standard rules of conduct to me is rather awesome, because of the wide range of different types of agencies and commissions etc. My point is that I can't believe this hasn't already been done somewhere.

Mr Peters: It is done in many forums. The difficulty is that each legislative assembly has a different set of structures to work with. This is why, in a way, if I could have any input to make it easier, these various steps of just describing what the framework should look like which they are fitting into might be sufficient for this committee, to just put that into being.

The point I tried to make is that the board is responsible that fiscal management is practised, but it should not do. It's the same maybe for this committee: not to get into the guts of the thing but just to establish a framework or make recommendations towards a framework which ministries or whoever wants to set up boards can use to establish how to go about it and what framework these organizations should fit into. When we say code of conduct, the question is not so much, "What is the content of your code of conduct?" but "Do you have one, and are you following it?"

Mr Tilson: I understand that. So you set up rules of conduct, or a framework, but then what happens? Let's say we have a housing group that does something this committee thinks is inappropriate. They may not think it's inappropriate.

Mr Callahan: We just did that a short time ago, not this committee but—

Mr Tilson: I take that as an example. Mr Callahan has mentioned that there are some examples. What would be the aim? Do you slap people and say, "Don't do that again"? I mean, "Don't go off to Berlin" or "Don't buy antique furniture" or "Don't do this with public moneys; you're not allowed to do that." In other words, so what? So you've got rules of conduct. So what? Big deal.

Mr Peters: The intent of those is actually that the government as a manager works with these and it detects these—essentially, it really comes down to monitoring, taking action that these guidelines are being followed on a day-to-day basis. That is the role of the government itself. And then of course there's the audit function which also has to assess whether the whole process is working. So you have two: You have the day-to-day attention that ought to be paid to these matters by the ministries or whoever is given the funds by the Legislature to administer, and then there is the periodic or cyclical review, by my office, of the strength of the framework and where it has failed.

Mr Tilson: I would hope, Mr Peters, that not only would this committee be recommending that these skeleton rules of conduct or whatever be developed, but this whole topic is an example of where it cries out for an amendment to the Audit Act. You won't even be able to look at this stuff unless those amendments are made. You won't even know that these deficiencies are going on because you won't be allowed to look at it.

Mr Peters: That's correct.

Mr O'Connor: Well, I suggested hearings.

Mr Tilson: But if we're developing a report on this topic, Mr Chair—and I know you've allowed me to overextend my comments.

Mr Callahan: He sure has. It's my turn.

The Chair: Please go on. You have the floor.

Mr Tilson: We have done that once, and I would hope that would be included in the form of a report, a recommendation that there be an amendment to the Audit Act.

Mr Peters: Actually, in your deliberations—we had put into the 1993 report a chapter 2, entitled "Towards a Workable Legislated Accountability Framework," in which we outlined four steps my office wanted to take. As a committee we have not followed up on that, but if I can be so bold—

The Chair: We are working on it.

Mr Peters: —I recommend that the thoughts that are outlined and the goals are incorporated in this discussion. We are outlining, really, a four-step process, of which this committee has already taken step one, which was to recommend that you give approval in principle that I pursue the establishment of a workable legislated accountability framework by the central agencies before any amendments are made to the Audit Act. At the time I came before you and said, "Look, if I audit this thing"—but how about the day-to-day controls? I can bring to you on a cyclical basis where things have gone wrong and then you fix that one, but what is going on in the government every day to make sure, to use your example, that trips to Berlin are not taken or antiques are not purchased where they shouldn't be purchased?

Mr Callahan: I think the interesting part of this is the fact that when we got our teeth into this, and I think it was with non-profit housing, they suddenly came up with—and you're going to think this is being political, but I'm not trying to be; it could happen to any government—a policy handbook that was to be used with non-profit housing, I think it was. It suddenly materialized and people were supposed to read it before they got on these boards.

Well, there are not operating agreements. Half of these groups did not have operating agreements. And again I'm not saying that to be political. I'm simply saying it to indicate that when you can't get operating agreements—and we went through this with the housing thing in Ottawa, where unfortunately a minister fell because there were things done that shouldn't have been done and probably wouldn't have been done if there was some sort of understanding of just how the whole things operates. David raises the question about this woman who literally ran MTHA. It was her own little bailiwick.

Mr Peters: Houselink.

Mr Callahan: Wasn't it MTHA? Oh, Houselink, right. I find it interesting that in this technological age something as simple as a video depicting in a theatrical form the way you conduct a meeting, the way you elect directors, the way you have an annual meeting, the way you have input from your members and so on wouldn't be the first step that would be taken. That could be done

very easily. Send this out to all of these goody-goody boards and let them view it on the video machine.

1430

The second thing is that we now have—and again I hope you won't think this is being political; I'm not trying to be, but it's a fact of life—non-profit boards being required to report to the government once a year and pay a \$25 fee, listing the annual meeting they last had, the directors who changed, even if there aren't any changes. I remember in the good old days—no, I shouldn't say that—the bad old days of the people to my left here when they required you to report. You had to report, and if you didn't report your corporation was dissolved. Maybe we've got to go back to that. Maybe we don't charge 25 bucks or whatever and just tell them to do it. Every time you changed directors, you had to send in a notification to the government, and somebody monitored it. We don't have that any more.

I think a lot of the true and tested processes we had in place before should be looked at first, as to what impact that had in terms of trying to keep these boards on the straight and narrow and perhaps give them enough working knowledge of how a board operates. I don't think we have to, as David said, reinvent the wheel. If we have to reinvent the wheel at this point, we're in deep trouble, because there are an awful lot of boards out there that are just operating by the seat of their pants. If that's the case, we're really in deep trouble.

In terms of amendments to the Audit Act, I agree, I think that has to happen, but we've been talking about this since you were brought on stream, Erik, and I'm sure your predecessor talked about it, and nothing has happened. That's essential. Otherwise, we don't even have someone we can send in, or who can go in if there are reports made, to check it out, so that means these people operate with impunity. They can do what they damn well please and get away with it.

If we're going to go into a lengthy report on how we're going to deal with this, I think we're just chasing our tail. We're going to have Anne burning the midnight oil to give us a history lesson which is probably all there already. I agree with David. There must be other jurisdictions that have had to tackle this problem.

The major concerns I have are more directly related to these boards, these groups that get together in a neighbourhood or in a cultural area or whatever and decide, "We're going to put up housing for our community," and they go ahead and do it. They call somebody up and say, "What do we have to do?" and they form a non-profit corporation and then they proceed to do it.

I think these are all marvellous people. I don't think they intentionally don't send in their operation agreements, but look at all the ones that were outstanding, and look at all the ones that were outstanding that caused the kerfuffle in Ottawa. These people didn't understand. You can't just put it together for your own community; it's got to be so much percentage for—

Mr Owens: There were a lot of other problems besides no operating agreement.

Mr Callahan: I know, but those are the ones that

really give me a scare because there's a proliferation of them out there, and many of these people really are not involved in this on a day-to-day operation. They have no idea. They think they can meet and if one person's personality happens to be a little greater than the others, he or she takes over, and suddenly he or she is running the operation out of a shoebox and nobody else is involved; nobody else cares, really.

I'm getting something here right now. "Towards a Workable Legislated Accountability Framework." That's from your report, I gather, Erik.

I think we should keep it simple. If we get too extreme in terms of producing a massive report on this, and you then say to the people who are in these little groups, "Read this before you set up your board," they're going to say, "What?" Many of them perhaps have never read anything, and I don't say that in a disparaging way. Many of them may be just average, everyday people who work hard but aren't really interested in getting into long nights of reading or understanding.

I think a video would be the first start, if we could do that, give them the nuts and bolts of it through a video, and then try to have a reporting mechanism between those boards and some agency. It used to be Consumer and Commercial Relations, if I'm not mistaken, or whatever they called it in those days. It wasn't a matter of scrutinizing it. If it didn't come in, they sent out one letter to you saying: "Your annual return has not been received" or "Your quarterly return has not been received. If we don't get it within 30 days, your corporation is kaput. Take it off the wheel." That got a response. People did it very quickly. They got a lawyer in to do it, maybe.

I think that's pretty simple. And also, give Erik the ability to go out, if needs be on his own hook, or at our direction, and investigate whether these things are happening. I certainly don't want to sit around here and reinvent the wheel, and I think that's what we might be trying to do.

Mrs Marland: I'm wondering how Mr Peters would suggest we proceed now that we've got a copy of his 1993 report with all four recommendations in it. I think there should be a very uncomplicated, very straightforward formula for every publicly funded agency, and that includes private, non-profit housing. When those are being established, the only thing the public purse is doing is guaranteeing their mortgage. It's only once they start into operation with subsidized tenants that the public purse becomes involved again. But if any organization is going to receive public funding, either as a guarantor for a mortgage or direct subsidy or direct operating budget support, I think there has to be a basic requirement as to who boards of directors are and what their bylaws are.

Part of the seriousness of the problems that have been uncovered this spring—not speaking about Houselink or MTHA because those are not private housing, they're public. But in the private non-profit housing, which is going to be one of the biggest focuses of public funding for the next 10, 20, 25 years and, starting next year, a \$1-billion annual subsidy, each individual private corporation sets its own bylaws. In the case of the Van Lang

Centre, its bylaws permitted it to have as few as five directors, a maximum of seven, elected by themselves. There was no requirement for them to be elected by members at large or even to be elected by the tenants in that particular development.

I personally was shocked when I found out that this was a publicly funded private non-profit housing corporation, built at the cost of \$7 million or \$8 million, where every one of 70 units is subsidized almost in total—some of them are RGIs, but for the most part they were totally subsidized—and yet the management decisions for the operation of that project were left in the hands of five people who elected themselves and could eliminate one or more of their number by a vote of the majority of five.

That's an example that, frankly, I don't think the majority of the people in our Legislature are aware of. I'm the first to admit, having had the Housing portfolio for two years now, I suppose, that I did not know there were private non-profit housing corporations in this province that set their own operating bylaws, when they were funded by government. I just assumed that if the government was the guarantor of the mortgage it would automatically say, "These are your corporation bylaws and these are how directors are elected." There are no rules. They set up their own corporation and write their own bylaws, and that is ludicrous.

Mr Owens: Margaret, are you talking about articles of incorporation or are you talking about bylaws that the non-profit—

Mrs Marland: Both, actually. The articles of incorporation also govern the bylaws under which directors are elected.

I don't pretend to know everything. When I found that out, I asked a number of members of the House of all three parties, and nobody else knew it either.

1440

The fact is that this kind of thing is going on with public funding and the end result is, as you've all been saying, that there is no accountability. It's our responsibility, and we owe it to the public to make sure immediately that there is a reversal of that situation.

Private non-profit housing corporations go back to when we were the government, so it's not that I'm dumping on the present government or the former Liberal government. I don't know where, in heaven's name, that was ever allowed to happen, the fact that it can get into such an entangled mess. If there had been a basic formula that everybody could understand—and that's where it comes to the necessity for the guidelines—no, they have to be more than guidelines—for the policy to be so clear and so simple, because a lot of these organizations now are ethnic community groups, just in terms of non-profit housing. I know there are 500 other agencies that fall into this, but non-profit housing is the biggest consumer of dollars. The second one would be a lot of the social service boards.

The point is that you can't have a whole complex set of rules you have to comply with if you're going to borrow money from the government, not if people with different educational levels and different faculties with

language have to understand. I'm sure it's very simple to set out what bylaws there have to be and who the directors must be, not being so specific that you say, "You must have a representative this, this and this," but just to say, "When you elect your directors this is how they're elected, this is how you hold an annual meeting, and this is how they can be changed."

That should be part of the operating agreement. Is that a possibility, Erik, that we do it through the operating agreement with the private non-profit sector, not just housing but psychiatric services and so forth, children's services? Could we do it through an operating agreement, that wherever there is provincial funding available to these agencies, the operating agreement sets out their incorporation and their bylaws?

Mr Peters: That is a fairly difficult question to answer. Specifically, at the moment there is such a thing out as a memorandum of understanding which sets out the responsibilities of—the capital investment corporation is one good example. It sets out the responsibilities of the minister, of the board of directors, of the management, outlines the objectives, and something like this, we find, is very useful in the particular process.

Mrs Marland: Does it tell them how to elect directors?

Mr Peters: This, offhand, I don't know. I can't answer your question whether it goes into those particular specifics, but some process must have been followed in order to determine the boards of directors for some of the members of the various capital investment agencies.

In a more direct response to your question, I wonder if I may make a suggestion to you, for the moment backing off into the four steps that are outlined in my report, in which "[t]he second step of the action plan is to work with the central agencies to develop an effective and practical legislated accountability framework." I advised you in May of this year that we are not making exactly great progress. In fact, we're making none. I'm saying slow progress is being made.

Today I brought before you a number of points of what I would consider an adequate framework for these organizations. Shoot me down—I'm not going to lose sleep over it if you do—but is there a chance of taking those steps and that this committee in its report asks the central agencies, namely, treasury board and Management Board secretariat, to come forward and respond to where they stand and how they are proceeding and what their intent is to proceed with this sort of framework for the various organizations in the government? Just very quickly, to go over it—I don't know whether I've spent too much time, but I can give you the seven points. They're very simple.

There should be a mechanism whereby the ministry, or the Legislature in some cases, sets objectives and assigns the responsibility for meeting them to a board of directors. Both parties then have to agree on the results and the performance to be achieved; that's this memorandum of understanding or operating agreement that you were just speaking to. Then the board of directors has to be somehow given the necessary authority to carry through. They have to be given a mechanism whereby they can

assign this to a management of the organization, and they have to in turn have a performance agreement where they empower the management of the organization to perform to the parameters they are setting. Then there's a reporting mechanism for a CEO to the board. They make the action and they report back to the people who give them the authority. It is fairly straightforward cycle that could be established: setting objectives, performing to those objectives, achieving the results, and reporting back whether the results are achieved.

If we link that with, effectively, the directives and guidelines that, for example, Management Board has already put out there, a composite picture may emerge to the committee and it may then lead to specific action the committee could take to strengthen this accountability framework.

I am still of the view that you may wish to strengthen it by making it, for example, a regulation under the Treasury Board Act or Management Board of Cabinet Act so that some control can ensue.

Other action that could take place is, for example, that you form a liaison with other committees of the government: the general government committee, for example, the estimates committee, the finance and economic affairs committee, all committees which deal with and try to wrestle with similar issues.

It is a very broad-scope approach that would be designed to put the whole matter into a government context and would give this committee a way of approaching the whole subject, of getting it kickstarted, so to speak, that this proper accountability is put into place, and would be a practical way of doing it. That's the end of my plea.

Mrs Marland: All of that's fine with me, but you can't do any of that successfully unless you decide who the key people are and how they're going to be elected.

Mr Peters: Exactly. It becomes people-oriented. That's why in the other, the discussion should be: What mechanism has to be put in place for the selection, election if necessary, or appointment of directors? What are the qualities that should be looked for? Who assesses that those qualities are being met, and who assesses the performance? Oh yes, that's definitely part of the mix.

1450

Mr O'Connor: I'd like to add at this point that we try to narrow it down somewhat. I think we have to keep it open. If we intend to allow a non-profit group or board to evolve with true community spirit and continued participation, we can't define what their bylaws would be, and I don't think that's the intention here. But we can give them some guidelines for how they might better approach setting up a board or approach the community for more community involvement and participation, with increased accountability.

That's why I suggested earlier that maybe we want to hear from someone like United Way at some point. They are working with people right now around the multi-service agencies about how they might better utilize volunteers with a true community makeup and breakdown. At the same time, there will be accountability

mechanisms put in that will be defined through the regulations. Draft regulations have been circulated to the social development committee, and you may want to take a look at those. I pass that on for Anne's knowledge.

Mr Tilson: Mr Chairman, we now are getting into another area. We started off with boards, commissions and agencies, but the other area we seem to be now touching on is where there are partnerships or arrangements or contracts, whether with for-profit or non-profit organizations, where the government enters into relationships. It could be the construction of highways or toll roads, it could be the running of gambling casinos, it could be the running of registry offices, or it could be running buildings owned by a non-profit agency, non-profit housing, which we've spent so much time on.

The whole issue of directing that there be a certain number of directors or public involvement—maybe it's an oversimplification, but it should just be that whether you're building highways or whether you're building gambling casinos or whether you're building registry offices—and those are the only ones I can think of; I'm sure there's a whole slew of others—or whether you're putting up an apartment building, these groups just don't get that money, shouldn't get it, shouldn't be able to proceed—we'll give the prime example, which I know is to the discomfort of the government—without operating agreements. That's a terminology and there may other terminology. You just don't get the money. You can't do it, you can't build the highway, you can't put up the apartment building, until you have abided by the government's terms. It's as simple as that.

This is in a whole different area. Maybe I misunderstood what was going on, but this morning we seemed to be talking about the appointment of people to police service boards or the appointment of people to—really, we should be setting up strict terms when people are getting money. It's just as simple as that, and we haven't been doing that.

We're determined to think of new, innovative ways of building highways and new, innovative ways of putting up housing. Of course, the Conservatives don't agree with that philosophy, but that's what's going on. That to me is the hard core. I don't know what your thought is with respect to these groups we're talking about, that was started off by Mrs Marland. Should we really be telling the group that's going to be building highways, "You're going to have to expand your board of directors"? They'd scoff at us. The answer is, "You don't get this money, you don't get this funding" or "this partnership" or whatever terminology you want to use, "until you have abided by our requirements," and when I say "our," I mean the legislature or the government.

Maybe that's an oversimplification, but if we start talking about expanding boards of directors and telling them what to do—they have to do certain things or they don't get the money, but we're not going to tell them how to incorporate or all of that business. At least, that's the way I look at it.

I don't know whether you have any thought on that, but that seems to be going beyond what you started off with this morning.

Mr Peters: I had to get into it just on the basis that boards of directors are really a very important link in the chain of accountability that takes place, and one of the real problems we are starting to confront is: What are these boards of directors? Why do we feel they are part of the accountability framework? Can we justify them all or, actually, should they have the role that they have had?

I must confess—I told Dr Frankford and I'll tell you a small anecdote of where I'm coming from on this. I served as a president of a community association at one stage, and our neighbouring community had a terrible accident in which a boy lost his hand in the snow removal machine for the ice in the skating rink that was operated. The community association had an insurance policy and the father of the boy who lost his hand tried to make a claim. Only then, after having paid premiums for many years, was the community association advised that they really had no standing, that they were not insurable, and because the insurance contract was made with a body that legally didn't exist, therefore no liability existed on the part of the insurance company, which nevertheless had collected premiums for many years.

Mr Tilson: With respect to the directors, you mean.

Mr Peters: With respect to the directors or as to what the responsibility was. That was way back in the late 1970s when this happened, but it led me to start questioning about the real role of these boards and what they're doing. Just not to leave it there, the solution was ultimately found: The city took over the liability insurance for all these boards and it was the city that assumed responsibility for these community associations, and therefore the insurance was put back into place.

But the point that struck me is, just what are these boards and what role should they fulfil in the accountability framework? For example, under housing, where the attempt is made to put on the board half tenants and the other half professionals, are the tenants really willing to assume the responsibility, or would they be better to serve in an advisory capacity and let professionals run the housing association?

Mr Tilson: Of course you know how they'll get around all that. They'll simply say: "We want you to sign an indemnification of the corporation so if there are any claims made against the board of directors, the corporation will indemnify. Otherwise, the directors won't sit."

You're talking about education and that's very important for the running of it, and that's your obligation as the auditor, to make sure these groups are spending taxpayers' money wisely. That's getting into the nitty-gritty of it.

But what I'm looking at is that in so many things, and now with this bill in the last session we've got these government corporations—I don't know what you call them—the one that created the three—

Mr Peters: Capital investment corporations.

Mr Tilson: That legislation has even added a further complexity to it.

Mr Wiseman: It might be more accountable that way.

Mr Peters: That is in the legislation. May I back up? There may be the seed of a solution here. In other words,

and this would be part of this deliberation or the recommendation, the legislation that creates a board has established the criteria that says, "Yes, for this particular program or service we need to set up a board, and this is what this board ought to do." If this committee were to recommend that criteria be established to justify the establishment of a board or an organization to deliver a particular service, I think that would be already a step in the right direction.

Mr Tilson: I would agree.

1500

Mr Frankford: In response to the question about what happens in other jurisdictions, and it perhaps relates to what exists in particular jurisdictions, I would guess that historically we're dealing with the fact that private sector for-profit corporations are well established, understood their advantages and whatever. We also have, let's say, voluntary non-profits that don't relate to government, any number, of all sizes. The Ontario Medical Association I imagine is one.

Mr Owens: That's not non-profit.

Mr Frankford: They are, in fact.

But now we get into the question of what happens when government money comes into it. Probably governments from way back have seen this as a convenient way of getting things done and transferring funds, which is attractive enough, except what happens when things go wrong? It seems to me that we get into particular difficulties when you've got things delivering those services which really have to stay in place on a permanent basis, such as housing, but other social and health areas as well. If a housing board of directors screws up, do you evict the tenants and sell the buildings, or what? I don't think so. There's a real fundamental problem there, it seems.

On the other hand, one could imagine small-scale, one-time government grants to non-profits. I'm thinking, for instance, of a women's support agency in my riding which got a small, one-time grant for some educational stuff. It doesn't seem to me that that's really is in the same league as—and that is obviously fairly accountable, and the mechanisms for doing that are quite easy to do. That's probably no different from research grants and all sorts of things governments do.

I'm just wondering if there is some fundamentally different group of agencies which are delivery vehicles for ongoing services.

Mr Peters: There are. The difficulty, to come back to your first example, where you raised the question of what happens if a board of directors of a non-profit housing agency doesn't do its job right, is that what actually does happen—and this is where the big difference comes in—the ministry then puts it under trusteeship and ends up paying anyway. That of course puts into question again, why did we have the board in the first place if they end up with virtually no liability if they don't perform? They just bow out or, as in the Metro Toronto housing situation, there's some public humility connected with it if they say they fire everybody on the board. But in the end it's the government that has to take back the operation and take over.

It is exactly that kind of situation where maybe this committee might want to raise the question of: Why use boards, or what kind of boards are you using? What kind of responsibility are these boards really assuming in running this particular government program? And how should we go about dealing with that particular situation? Again, it gets into the criteria question without getting into the details.

It was rather of interest to me that the Peter Dey report for the Toronto Stock Exchange—you made the point that in the private sector everybody knows they're in place, but what caused this report was that they felt they weren't. That's why the title: *Where Were the Directors?* The rather interesting point also is that although this is bound and has pictures and it's a very nice document, it very clearly identifies itself as a draft report. I'm not privy to know why exactly it was not final, but it is a draft report. But it relates the various views of people on how, in the private sector, boards should really function.

If they, with their single bottom line—did they do well profitwise or not?—cannot come to grips with governance, of course this must be much more complicated in our environment. That's why sitting back and letting those who are dealing with these issues directly work out the guidelines and the skeleton framework and then report back on how it is going, how it is established and what it is achieving might be the way to go at this particular point in time.

The Chair: I wonder if everyone has had an opportunity to look at the handout that was put together by Anne Anderson, our research officer. I'm not really sure what the committee would like to do at this point. Would you like us to come back with something a little more elaborate with respect to this handout and have Anne do something over the course of the next day or so? Or shall we deal with this at another time?

Mr Owens: This serves as a good work plan. I think we've been struggling to define a work plan here today, so this is a good framework.

Mr Tilson: Mr Chair, on page 2, item 4, under "Accountability," I believe that should be broken into a fifth point. The amendments to the Audit Act don't involve just accountability but a number of things. I think that should be the emphasis. We keep doing it. You've written letters and we've made reports—have we ever made a report?

Mr Peters: You passed a motion, which was passed on to the Minister of Finance, who is the sponsor of the Audit Act.

Mr Tilson: We've never said anything to the Legislature. This committee's never made a recommendation to the House. Would you do that sort of thing? I don't know. It seems to me we've tried everything to get the Finance minister's attention. Is he the one that makes that change? I guess he is.

Mr Peters: He's the sponsor of the Audit Act.

Mr Tilson: We've never been able to get his attention. It seems to me the only thing we haven't done is put it in the form of a report. I'm just recommending to Ms Anderson that the fifth point be the last bullet point; in

order words, emphasis on the recommendations to change the Audit Act.

The Chair: It was our understanding that in fact steps had been taken and that perhaps the minister was tabling amendments. We have not been notified—

Mr Tilson: Where do you hear these rumours?

The Chair: I'm raising it so it may be confirmed or denied, but perhaps that would be the case: We could make that recommendation and we could put that in this report. It's up to the committee.

Mr O'Connor: The only thing I would add is that this committee be the standing committee that would be selected to hold public consultation on the act.

The Chair: That was the rumour, that we would be commencing hearings on the amendments.

Ms Poole: I had a further point which I wonder if we could add to the page. This morning Mr Jackson raised the conflict-of-interest issue. As members, we're all aware of the very rigorous conflict-of-interest guidelines that we must pursue. I find it quite ironic that \$30 billion goes out in transfer payments and yet many of the administrators of those funds do not have their own conflict-of-interest guidelines in place. I wondered if we could just add that to the list of things we might discuss. Members may decide they wish this to be added or not, but I think we should at least discuss it.

The Chair: I think at this point it would be wise to have Ms Anderson go forward and write something. Is it possible for you to come up with something for tomorrow? That's probably too tall an order.

Ms Poole: Can you do our thinking for us?

The Chair: It's only the first day back from the long weekend.

Ms Poole: Think for us and then we can say whether we like it or not.

The Chair: Perhaps what we should do is give you a couple of days and deal with this on Thursday. I'm not suggesting you write a report. What I'm saying is that you come back with a set of options for directions in these areas—from the discussions we've had, you could probably surmise where there is consensus on the directions we might move in—rather than writing a set of guidelines or a set of detailed criteria, because I don't think that's what we wanted to come out of this. We would make recommendations around how to approach that.

If we deal with Thursday's agenda tomorrow and come back on Thursday and wrap this up, would that be acceptable? Good.

1510

Mr O'Connor: The only area I don't see on your list is bylaws and constitution. Constitution may not be necessary, but bylaws governing the board I would think would be something we'd want to make some suggestions or recommendations on. For the board to take on a true reflection of the community—"board" is a pretty generic term at this point—we can't, I don't think, develop any bylaws, but perhaps should take a look at rather generic bylaws or suggestions of what should be included.

When you talk about, for example, the numbers and term and what not for directors, quite often those are actually qualified through the bylaws. A bylaw may say that the term of a chair may only be for such a period of time and that it rotates so you don't end up with a whole new board once a year or once every third year, that you end up having to go out and seek throughout the community full new involvement.

Just the two areas: I don't know where we'd fit them in, but I think some of this covers what would be in bylaws or constitution.

Mr Callahan: I think I understand what you're saying, Mr O'Connor. I can see that if we're going to suggest there be model bylaws that have certain requirements in terms of who should be on the board and who shouldn't be on the board as to mix and so on—equity, kind of like employment equity—you're going to find it won't work. The experience I've had with most boards is that you couldn't get enough people together to do that, and more often than not, what happens is the existing board presents a slate and that slate is usually—I mean, it's just like nomination meetings.

Mr Owens: Liberal nomination meetings.

Mr Callahan: I'm sure it's probably the same. You guys haven't had any yet, have you?

Mr Wiseman: We haven't done what you guys have done.

Mr Tilson: You walked into that one.

Mr Callahan: More often than not, that's the situation, and I think that becomes a real difficulty. You're going to find that if you put too many constraints on these groups, you're not going to be able to accomplish—actually, you're going to destroy the democratic system which allows people to be on the board if they wish or not on the board if they wish.

Ms Poole: My only concern with that plan is that it puts quite an undue burden on our researcher, particularly as tomorrow she would have to be in committee with us all day finalizing the other reports. Would it be more appropriate if, instead of bringing something back Thursday, we gave Anne some time to contact various agencies and boards and see what criteria they have in place and do some research along that line, and then perhaps when the House comes back—I don't know.

The Chair: Let me ask Ms Anderson what she thinks is possible and doable in a short period of time. If it's not, obviously we'll have to change the plan.

Ms Anderson: I think what I can get you on Thursday would be quite limited because, as Ms Poole says, I'll be here all day tomorrow with the other ones. I could expand what's here a little bit on the basis of what you said today. There wouldn't be a lot of time to do much additional work beyond that. In many ways, I could get you something that perhaps would be more useful later on.

The Chair: I was thinking what we would do is just establish a framework which we could then work on from there. We're not suggesting something that would be carved in stone and be submitted as a report. For the purposes of going further with this discussion, I think we

should establish a more workable framework. We've got something here but it's not elaborate enough, so if we went one step further—and if anyone has any suggestions—I think more work needs to be done around some of these questions in establishing a framework for them, and then we could do more elaborate work. We could come back when we're sitting again, when the House meets, when we're given more time to deal with that.

Ms Poole: But the problem I have with this is that I think it's our job to answer these questions, not Anne's, and she doesn't have enough time before Thursday to add enough information about what the various options are. As far as I'm concerned, I would have no idea, for instance, what the length of the term should be, the maximum term, how many directors, what the criteria is, all this type of thing. If we gave Anne time to go to a couple of agencies, a couple of boards, a couple of non-profits—perhaps as members we could feed her names of ones that are particularly good, that could provide her with the information about how it works in their particular agency or board. Then she could bring various options back, and then as members we could debate it.

The Chair: If you will forgive me, I don't believe that's the basis on which we ventured into this area. Ultimately, all we're doing is setting a framework, suggesting that we have broad parameters. For example, in establishing criteria, what we're saying is that criteria be established; we're not suggesting what those ought to be in detail. We're not trying to write a report that suggests that we have the right model for people to follow. We're not saying that. We're saying we're establishing certain principles.

I think the auditor's report was very clear about that. This morning's presentation outlined the framework. We need to just elaborate on what he's presented to us and to set that as something that we work with. I don't think we're going to sit here and establish what each board of directors should consist of, what each criterion should contain. We should just look at the general outlines of that.

Mr Owens: I wanted to agree with Dianne in terms of the time lines for Anne to bring the kinds of information I would want to take a look at. This is a fairly esoteric subject with respect to governance, and it's not an issue that we as members, or anybody else, come across on a regular basis. Looking at different jurisdictions, and we talked a lot about the differences between non-profit and non-profit community-based—to look at the kind of textual issues you would need to examine.

I understand that you're saying we're not writing the report word for word in terms of the guidelines, but I think we need more in terms of having a clearer understanding of exactly what the hell it is we are talking about and the kinds of things we want to make recommendations on so they're real live recommendations.

The other thing, Joe, is that if you look at the ongoing investigation by Peat Marwick at MTHA, I have a touch of concern that if we send out guidelines with respect to board membership and accountability, that is somehow going to collide with the good work that's going on with Peat's.

The Chair: Let's try and put this in perspective. I'm going to ask Mr Peters to comment on what's been said. We have, as I said this morning, material that was presented to us, and standards that—just to go back to our briefing notes that were given to us by Mr Peters.

Mr Owens: This is one model.

The Chair: Well, the auditor is the one who raised this issue with respect to governance in the context of his report, of which we all have a handout, and that's what we're acting on here. We're talking about a legislated accountability framework, and contained in that is the framework for governance and also establishing general criteria for ensuring that boards of directors are chosen along the lines the criteria have set out.

In many respects, we have heard that no criteria exists for the selection of those board members, that in some cases there's no accountability and that there's no understood framework between the receivers of government funds and those who hand out the cheques.

1520

Mr Owens: You can't make such a broad-based generalization, Joe. Come on.

The Chair: I'm just trying to give you the context of where we've come from and where we are today in trying to deal with this matter.

Mr Owens: That statement is simply not true.

The Chair: Mr Peters, would you comment on this, with respect to what it is we are putting forward, how it is you see our role unfolding here in making a recommendation around providing this kind of direction.

Mr Peters: The recommendation I would have is to focus on the framework rather than the detail. In setting the framework, one of the areas you might want to consider is essentially some of what would be unacceptable to this committee: set the parameters, rather than what to do, but also by setting guidelines of what is unacceptable, and some of them we heard around the table up to now, for example, such areas that it unacceptable if a report does not have a code of conduct, it is unacceptable if a board does not operate under bylaws—in a generic fashion, which I think is more the role of the committee.

Mr Owens, just to give you a little more comfort, the summary of the tape was provided ultimately by John Palmer. John happens to be a partner and senior vice-chair of Peat's, and is actually on his way to heading the—the bank inspector for the federal government; he's gone that way. I'm not sure their work will be at odds with any generic work on governance that this committee might want to do.

I would again recommend sticking to the overall framework within which boards should develop and to present a set of standards indirectly by saying that these are the matters that would be unacceptable to this committee. Examples other than the code of conduct and not having a bylaw would be: failing to meet reporting requirements to the various members in the accountability chain, making records not accessible or whatever to people who want to conduct work etc, just a raft of these issues—in a way, to do it in the negative.

The other part is to deal with, as Anne outlined here in the document, the kinds of agencies: regulatory, advisory or operational. It would be unacceptable, I would suggest to you, to have a board operating in a framework where it has unclear objectives and where it has no idea to whom, for whom, it has a fiduciary responsibility. That has to be certainly made very clear.

It is to build an accountability framework and set the outside parameter of what is unacceptable. Admittedly, that takes a bit of further research to do. But rather than telling a board what to do, it might be easier for the committee to say to a board what not to do.

Mr Owens: I'm agreeing with Dianne that that's completely unreasonable to expect Anne to have pulled together by Thursday morning at 10 o'clock.

The Chair: No. That's not the intent here. The intent was for Anne to give us a kind of list, as she's done already. She did this over lunch, so I thought it was unfair for us to use this to guide any further discussion and debate. We could come back three months from now and deal with this item or we could ask her to set forward just a general outline of where we want to go from here. That's what I was thinking we might do and give her just a couple of days to do that, and then we could on Thursday quickly deal with this. It's not going to take up the whole day.

But having set that general direction about where we want to go, just as we were discussing it—do we tell boards, do we tell agencies, what they ought not to do, or do we include what they should do?—these are options she could lay out by Thursday, not in any detailed fashion but just posing those kinds of questions. We can then say to ourselves two months from now when we come back in the legislative sitting that we'll deal with this matter. As she continues to do more research around that question, we might have something ready for that time.

Anne, do you want to say something on that?

Ms Anderson: I'm just thinking that one way to do that is for me to flesh these out a bit with what the issues are that are contained within them, not to give the responses to them, so on Thursday you'll have put down on paper the issues you've heard of today and will perhaps have some idea of which ones you want to focus on in expanding and doing further research on and continue with.

Mr Owens: That's fine.

The Chair: That's it. We really should do that now because it'll give her time, during the time we're not sitting, to work on those areas.

Mr Callahan: I wonder if we could also see—and I'm sure they must be available, because of page 14 of chapter 2 that's been handed to us. There are three documents. One was a white paper delivered to the

British Parliament called The Citizens' Charter. I'm sure the auditor's office must have that document, since it's referred to. Another is U.S. Bill S.20, the Government Performance and Results Act of 1992. You must also have that, I would presume. Third, and it's unfortunate I didn't know about this when we were down at PEI, are the School Act, and the Health and Community Services Act. It might be worthwhile to have those to look at and see how they've dealt with it.

In fact, the Prime Minister of England—and I think we can do it in a much less expensive fashion by simply getting the paper, unless others wish to do something otherwise. He indicated in his statement, "We believe that it will set a pattern, not only for Britain, but for other countries of the world." Let's become one of the other people.

The Chair: Can you make that available?

Ms Anderson: There are quite a lot of documents that come with The Citizens' Charter and I have a certain number of them. I can make the Prime Minister's speech available, anyhow, and probably some of the others as well.

Ms Poole: I have no problem with doing it as a generic framework. I was off base, obviously, because I thought we were headed down another path. The only thing I personally would like to see is to put it in a positive framework rather than a "Thou shalt not," ten Commandments version. It's pretty easy, if you're going to say, "It is unacceptable for boards not to have a code of conduct," instead to say, "Boards should have a code of conduct."

The Chair: We can worry about writing it in that language.

Ms Poole: It's just that if Anne's doing some sort of thing, I personally would prefer to do it in the positive as opposed to, "Don't do this, or we'll rap your knuckles." Sort of like a spoonful of sugar.

Mr O'Connor: Another question I had was the process we have now in place around the agencies, boards and commissions that we have set up here in Ontario. Does any other jurisdiction have that type of resource put into libraries to try to open up the process of public appointments? It is a new process and quite comprehensive, and I just wondered whether any other jurisdiction might have that.

The Chair: Any further debate? If not, we shall adjourn until tomorrow.

Before we go, can I just confirm that we will deal with the follow-up to this on Thursday and that tomorrow's agenda will be Thursday's agenda, which was to include final reports, the draft reports, and also our update on the unfinished reports of the past.

We're adjourned.

The committee adjourned at 1530.

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Substitutions present / Membres remplaçants présents:

Abel, Donald (Wentworth North/-Nord ND) for Mr Marchese
Jackson, Cameron (Burlington South/-Sud PC) for Mrs Marland
Wiseman, Jim (Durham West/-Ouest ND) for Mr Bisson

Also taking part / Autres participants et participantes:

Peters, Erik, Provincial Auditor

Clerk / Greffier: Decker, Todd

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service

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Third Session, 35th Parliament

Assemblée législative de l'Ontario

Troisième session, 35^e législature

Official Report of Debates (Hansard)

Thursday 3 November 1994

Journal des débats (Hansard)

Jeudi 3 novembre 1994

**Standing committee on
public accounts**

**Comité permanent des
comptes publics**

Learning-impaired youth

**Enfants souffrant de
troubles d'apprentissage**



Chair: Joseph Cordiano
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Président : Joseph Cordiano
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 3 November 1994

Jeudi 3 novembre 1994

The committee met at 1009 in committee room 2.

LEARNING-IMPAIRED YOUTH

The Acting Chair (Mr Robert V. Callahan): Good morning. We have before us Dr Hurst. You may recall, those members who were on the committee, and I notice there are a few new smiling faces around here this morning, that I had requested that Dr Hurst have an opportunity to address this committee with specific reference to the question of learning-disabled children, or whatever is the appropriate term to use with reference to them.

Dr Hurst is here with his good wife, who is sitting back in the first row, along with a friend of mine—we'll put her on Hansard too—Diva Anderson. She is interested in this issue.

Dr Hurst very kindly delayed his trip to Arizona, where he and his wife go—lucky people—about this time of the year and return, I guess, when the spring bursts forth. We thank you for that, Doctor.

The committee has been looking into—we have in fact just completed a report on corrections where we discovered that 80% of the young offenders who are locked up in custody are learning-disabled, which to me says we've dropped the ball someplace and we're allowing these kids to slip through the cracks.

We've heard about your particular type of project and we'd like you to now have an opportunity to perhaps explain to the committee what it was, who you were associated with, and what could be done in terms of our jurisdiction to incorporate that into our particular approach in trying to deal with this very difficult problem.

I've taken the chair just to introduce you. Dianne Poole, who is the Vice-Chair, will take over the chair now. We'll play musical chairs afterwards, when you get back into the House.

Anytime you want to start, Dr Hurst, perhaps you could just formally identify yourself for the purposes of the record. We always like to keep people's names and words for posterity. Some day somebody might read through all this stuff and want to know who we were.

Dr Arthur Hurst: This is a great privilege, ladies and gentlemen, to discuss this very important subject with you this morning. For the last 30 to 40 years I have been trying to get the powers that be to look seriously at this subject. It's being looked at in the United States, but in Canada it looks to me as if they would sooner take an incarcerated and pay \$100,000 a year to keep him safe and secure, when they are showing that the recidivism rate in

the United States is being reduced by 83%, from 60% down to approximately 10%. It doesn't make sense to me, and I hope it doesn't make sense to you.

Let's look at two areas whereby the programming of the brain—because this is what we're talking about: How is this brain of ours programmed? Is it programmed by genetics—father, grandfather, great-grandfather etc—or is it programmed by the sense modalities? Do genetics dictate function? If you believe this, that this is true, I would be very happy to have you explain these two experiments. I'll be extremely brief on them, though I could talk for about the next half-hour anyway on these two experiments, they're so fantastic.

The first one is the wolf boy of India. This isn't a Rudyard Kipling tale whatsoever; this actually happened. A den of wolves kidnapped a young Indian boy and brought him up. At 11 years of age he was found outside of Lucknow in a coma, and they took him in. They never did make this boy human. He remained a wolf until he died at the age of 24, which is about the average age a wolf dies in captivity. They had to put him in a cage. A nurse tried to hand in some food to him and he sank his teeth into her arm. After that, of course, she put it in by means of another method.

If genetics dictates function, it would seem that somewhere along the line a wolf gene crept into the picture, but obviously that's a little more fantastic than I care to speculate on. So why did this young boy develop the way he did, if he was a human being and he had all the human being's attributes through genetics? That's number one.

Number two is the bee experiment. Do you believe that the lower creatures are dictated to by genetics; in other words, that they are programmed for what they do? Obviously, every one of us has, up until this experiment, believed that. What they did was to place bee food a certain distance from the hive. They waited and waited. Finally, one bee came, went back to the hive and got the rest of the bees and brought them over to the food.

They then placed the food one and a half times farther in a straight direction from the hive along this line they had established. There were a few more bees at that time, but nothing spectacular whatsoever. The same thing happened: They went back to the hive and got the rest of the bees.

Then they placed it one and a half times that distance, and guess what? The bees were there waiting en masse right at that point. They had it all figured out.

Now a prominent entomologist says, "I wish they

hadn't done this, because now I'm going to have to revise my entire thinking with regard to lower creatures." Lower creatures do reason. Since this experiment, there have been other writings on this particular subject. We have a brand-new situation here.

There are other areas of investigation. Dr Harry Silverman—I had hoped Harry might be here this morning. He is with the educational research department at the University of Toronto. I hope some of you have that little sheet which lists the members of our committee. We are extremely fortunate, and I would like to pay tribute to these people who have for the last five years donated their time to this particular area of expertise.

Dr Harry Silverman says the correlation between genetics and actual function within the school—and of course when we speak of genetics the taking of an IQ test comes upwards in mind. The kid is then given a number. If genetics dictates this, why is the correlation between what they find and how the kid performs academically so low? I haven't time, really, go to into all this area, but it's a very fascinating one, let me tell you.

J. McVeigh Hunt—some of you perhaps may have heard of him—wrote a massive book about 20 years ago on intelligence and experience. He comes to the same conclusion.

The greatest single cause of delinquency and juvenile crime is school failure. One of the best articles written on this subject is by a former court psychiatrist, Dr Alan Davidson of Muskoka. I think you have a copy of that. It's a gem and it will give you a great insight into what is happening within our society today.

It is important to recognize that in terms of the sense modalities, vision, auditory, tactile, kinaesthetic, olfactory and gustatory, their individual performances and coordinations with each other are of prime importance if academic success is to be achieved.

Is there anyone who is not familiar with those senses and the terms I have used to describe them?

The other thing I would bring to your attention is the near point factor. You have some photographs in front of you which were just given to you this morning. I would ask you to take a good look at those. They are also real gems. One is of the little child who is grasping at the trinket in front of him. The other is the school girl who is working. Would you like to guess the distance those two are looking at their point of regard? It's somewhere between four, five, six, seven inches, in that area. This is the important area. This is where learning begins.

1020

This study was done by myself in Newmarket, Ontario, and we went through over 1,000 kids. The findings were: In grades 1, 2 and 3, the average was about six inches. One grade 2 class was four and a half inches. You have the picture of that class there, which I have placed before you.

Eye vision practitioners take near point findings of 13 to 16 inches. School MOHs use the 20-foot Snellen distance chart only. It has been known since 1948, around then, that the distance chart within our school system is absolute garbage. When we come to assess kids' vision,

there is absolutely no correlation between that Snellen chart at 20 feet and the way the kid performs. As a matter of fact, it would make far more sense if they took the kids who failed, because these are the kids who perform better in the classroom. The group that took this back in 1948 found exactly the same thing. The workers who performed the best were those who failed the 20-20 vision chart in the distance.

In this study we did, we found that girls performed much better than boys. Now what is the reasoning behind this?

Mrs Margaret Marland (Mississauga South): It's lifelong, isn't it?

Dr Hurst: That doesn't come as any surprise today, really. I'm going into this a little further.

The females are so far outperforming the males that it's become a tragedy within our society today. This is what I found over the last 20 to 30 years in the studies I have done.

Why the difference? Girls are brought up to excel at the near point. This may stand water or not, but this is a very good explanation. The mother takes the young girl and keeps her closer to her, teaches her sewing, knitting, all the near point areas, and the girls are trained there. What do the boys do? They're kicked out of the house and put out to play football, baseball, hockey and all these things that don't have any meaning to the very near point, which is four to six inches. In other words, the boys have distance training.

As I say, that comes right off the top of my head and it may not be valid; there may be other things which are contributing to this. But these are facts that are given.

The importance of sense modality coordination in the prevention of school failure, delinquency and crime: What is the present state of affairs? Continuous failure over the years from primary grades through to high school has forced one third of our school population to drop out of school at the nearest opportunity. This is from the minister of youth in the federal cabinet. I think some of you have seen this particular pronouncement to the school trustees. This was given out in western Canada and was raised through all the newspapers throughout Canada. One third of these kids are now dropping out.

If you think this is bad, look at the Wall Street Journal headlines and the New York Times headlines just recently, over the last two or three months. Fifty per cent of the citizens of the United States are illiterate. These were headlines in two of the largest newspapers in the world.

This is a statement by Dr Papke, director of education of Muskoka: "Increasing numbers of children are entering schools with social and learning difficulties. School boards have directed programs for them but the success rate is unsatisfactory and the growing number of children 'at risk' is discouraging."

Berman and Siegal, neuropsychologists, in their report some 20 years ago to the Rhode Island Crime Commission, stated, "After 70 years of trying the best methods known to psychology, psychiatry and other areas—after 70 years of utter failure, we must think we may be using the wrong approach to the problem." I haven't put this

down, but he adds another remark in which he states, "Even a rat in a maze knows enough to try another door after failing on one door."

Causes of failure: Anything that creates lowered sensory-motor coordination.

(1) Medical factors, that is, disease etc. These only account for 2% to 5% of brain-nerve-muscle upsets.

(2) The lack of foetal-preschool sense modality sensory motor stimulation. This has been brought to the fore by Dr Thomas Verny. Mark well that name. He is a psychiatrist from Sick Kids' hospital here in Toronto and he has written three major books on this: *Secrets of the Unborn Child*, *Training the Unborn Child*, *Parenting the Unborn Child*. Each one of these are gems. You will gain more information on what is happening in the foetus from these books than anything else that you can read to date.

(3) Excessive TV viewing, the use of VDTs, computers, calculators before the child's brain has been trained. I disagree completely with what they're doing within our schools today. These children should be trained to the top degree before they are introduced to these VDTs they are surrounding them with at the present time.

All of these interfere with correct brain programming.

I spent 20 years with Dr Marshall McLuhan. I've been publishing my studies since 1950 and he read some of these studies and invited me to partake in his centre. It has been the most fantastic period of my life to be associated so closely with this man. He of course has written a book, *Understanding Media*. You should try and get a copy of this and look at what is happening in the television area. The first five or six paragraphs in there are on my study, the near point working distance of the public school child, and then he goes on from there. I won't bother going into all of this, but I would urge each and every one of you to take a look at his book. It is being republished, by the way, and it's well worth browsing through it.

1030

One of the things that happened with Marshall is that there were so many people who were saying that "The medium is the message" really doesn't mean what it says. Spending just a minute on this, everything we have made out there is a product of one or more of the sense modalities. You name it: Anything that is built, these desks and so forth, are made by referring to sense modalities of the human body. If something is being broadcast or put to you via one of those sense modalities out there, it means nothing to you unless that relates directly to one of your sense modalities. Under those circumstances, "The medium is the message" comes through loud and clear.

Swartz and Krugman—Krugman was with General Electric—set out to dispel McLuhan's theories. In fact, what he did was conduct investigations on brainwave measurements while the individual was reading and while they were watching television. With reading, there were all kinds of brainwave activities; with television, no activity, no brainwave measurements. So this is what's happening when your child watches television: There is

no activity. The sensory motor activity that is so important to learning is being dispelled.

Academic skills since TV have declined. Wirtz, former Secretary of Labor in the United States, stated this in 1977. Worthington of Trent University and Pamela Tames all today say it. Eighteen thousand hours are spent by the average child in front of television by the age of 16. In the watch period, as I have stated, motor activities are eliminated.

What are the costs of failure? The minister of youth in the last federal cabinet stated that over a 10-year period the cost to maintain school dropouts across Canada will total \$30 billion. It therefore makes good sense to try assessment and coordination training and brain programming by sense modality as the prevention method. We've already stated that it costs close to \$100,000 for one inmate. If you save only three to four children from going into this, you will pay for this program for one entire year. That's all: Save three to four children and your costs are made up in that time.

Talking about the foetus, the brain is programmed from the third, fourth, and fifth months after conception by the sensory input of the sense modalities, and I've already spoken of Thomas Verny and his *Secrets of the Unborn Child* etc. The brain itself, they have found, with human beings in a human environment, is not hard-wired. Changes can be made in this at almost any age.

What are the recommendations? Funding therefore must be secured from the federal and provincial governments in which communities will be helped to establish promising programs in their areas. It is therefore suggested that boards of education set up an assessment training room in which parents, future and present, along with special education staff, be trained to manage the coordination treatment of these preschool children. This treatment room can be copied by parents and established in their own homes.

The treatment room contains equipment much of which can be easily and cheaply constructed by a carpenter, for under \$10 on some of these. It's amazing what can be done in this particular area. The remainder is relatively inexpensive and can be purchased from an optical company. As a matter of fact, I have now contacted optical companies in the States that manufacture and make and sell, and they are willing to lend this equipment to any one of these units that can be set up. They will lend it.

It is important, of course, that a functional optometrist—and I draw that from the average optometrist out there—be consulted in this particular area and process. Many of these have training rooms in their own offices.

The above plan—this is an extremely important area—has been in operation at the San Bernardino juvenile hall in California for the past 12 years. The original plan was set up by Dr Kaseno on a federal Washington grant. Recidivism, as I mentioned, was cut 83%—from 60% to 10%. In 1984, the annual National Outstanding Project Award was given to this program by the American Public Health Association in Washington. Millions of dollars were saved in this one unit alone over those 12 years;

thousands upon thousands of kids, average age from 14 to 16 years old, by the way, in this one unit. However, the real saving was in the lives of young people themselves. No price can be put on that.

At the present time, the Muskoka Board of Education under Dr Papke—and how we were able to entice a gentleman of this calibre to our area is beyond me. He holds a doctorate in special education and he is extremely well-tuned-in to this. I hope he stays with us for a period of time. Dr Papke is already trying to set up this unit. Of course we have no funds, and this is the big problem. But they are all ready to go, providing funding can be secured from the federal and provincial governments in this particular area. The Victoria board in Lindsay is also ready to establish a program, providing funds can be secured.

I would strongly suggest that a third unit be considered. A juvenile incarceration unit should be thought of in conjunction with this and the three run at the same time. In this way, invaluable information can be secured.

1040

We have some important areas for discussion. I hope we have time for that, but perhaps we may not.

Reasons for female superiority in academic function, and we've already talked about it a bit: The correlation of reading and vision factors in grades 1, 2 and 3: By the way, when we combined these factors with the reading factors, girls were significant at the 1% level, which is one of the highest correlations you can get. As far as the boys are concerned, the correlations were either zero or non-significant. We weren't able to get good correlation factors there at all as far as the boys were concerned.

This shows that researchers should never combine. If you're thinking of doing anything combining girls and boys, don't do it, because they cancel each other out and you come up with a study which is meaningless.

I would ask you to take a good look at those photos that I passed around. It provides the real meaning of the near point distance. They are real gems. Please keep them for your own files.

You may have more thoughts on genetic endowment of function. IQ tests are not valid and they should be completely discontinued. The use of the look-say method of teaching reading must stop. TV has changed the sense ratio. Instead of the emphasis on vision, television has dropped that down into the auditory, tactile, and kinaesthetic or movement sense of the body. Therefore, teaching should be along those lines.

One vital area of enclosure, which some of you got before, is the assessment items. There is one page there that contains 42 assessment items—I'm not going to go through those today—plus the 92-item full examination assessment page.

It is important not to pass judgement on the child until this achievement level is known in this area. You must get the figures for this area before you do any other assessment or thinking about the child. Once this is established, training can begin immediately.

There is one thing I would like to add before I close. This is a pamphlet, and the heading is The Teacher Who

Couldn't Read. It's one of the saddest documents you will ever read. I would like to read a portion of the last page. He is talking to his class because he has decided to come clean after 17 years in the classroom being unable to read:

"I picked up my 11 typewritten pages. 'I am a graduate of a university, with a bachelor's degree in education and business administration. I have completed graduate hours in education, economics, and sociology at four major universities. I attended school 35 years, half of those years as a professional educator. Yet, in acquiring these experiences, I could not read a textbook or write an answer to an essay question. I have been a functional illiterate for almost 50 years.

"I have taken the necessary steps and am making the commitment to personally overcome my lifelong handicap. I am a developing literate. I must pray and act to accomplish my goal—to become totally literate. I invite you to actively join me on the front lines of the war against illiteracy in America. If you will lead, others will follow."

He is writing this whole thing, by the way.

"When I finished, I received a standing ovation. The kids in the Smart Row will welcome me home from my long journey."

There are some things he has recommended:

"Discard labels." Do not label a child.

"Dismantle special education classes. All education should be special. I'm sure the original intent of special education was good, but it has not, in my opinion, produced a quality product.

"Take the special education teachers and have them mentor regular teachers or assist in one-on-one education in the classroom. Mainstreaming these children is a viable concern, but I think it's time to begin." This is his recommendation on this, of course.

"Smaller class sizes.

"Emphasize family literacy programs and church outreach."

Thank you very much for being so attentive. If you have questions on this area—but the main thing is that you now have two major areas in this province ready to go and they do need funding for this. The funding is a pittance to what you are spending in the incarceration units of this province and across Canada. I would welcome any questions at all.

The Vice-Chair (Ms Dianne Poole): Thank you, Dr Hurst. We have two members who've indicated they have questions. I first of all want to thank you for your presentation today. You've certainly put a number of very intriguing ideas before us.

Dr Hurst: You're going to have to speak up. I celebrated my 80th birthday just two weeks ago, and my hearing is not as good as it should be.

The Vice-Chair: With that warning, we'll all go a little bit closer to our mikes. We'll go to the near point—what is it?—four to six inches.

Dr Hurst: Thanks a lot.

Mr Kimble Sutherland (Oxford): Dr Hurst, if you

hadn't told us you had just turned 80, we would never have known that.

Dr Hurst: That's the best compliment I've had all day.

Mr Sutherland: I found some of your comments quite interesting, particularly when you were talking about the influence of television. I know many people like to cite how Canadian students and Ontarian students do in international testing. I always find it interesting, and certainly point out to my constituents, that from my understanding there are two factors in which both Canadian and US students differ significantly from many of the other comparators, whether it's Asian students or European. Those two of course are, when you're at the high school level, the number of hours per week they're working in part-time jobs, and then overall the number of hours per week they watch television in Canada and the United States versus the others.

When people say, "It's solely the education system that's not doing those things," obviously those in the education system, teachers, can't control how many hours of television someone watches outside of school. The information you present today would tend to support those results, that that has a negative impact.

You talked a lot about the different methods here. Certainly, what I hear from my constituents who come in to see me is about how we do early detection and how we identify those who have learning disabilities. I was just wondering whether you could give us some comments on that specific area, how we identify them at as early an age as possible to ensure that we can take a plan, whether it's the one you propose here or other plans, to try and help these people so they don't end up being in our jails.

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Dr Hurst: I think each of you has a copy of two photographs, not the young child or the photograph of the classroom, but the other areas. Is this the only thing you have? Have you got them?

Mr Sutherland: Is that the other one?

Dr Hurst: Yes. If you look at those sheets, you will find that they are some of the assessments we make. We check the vision. Vision is extremely important because it has three major areas.

The focusing of the eyes: We use something known as a flip test in which we put a certain power of lenses in the lower portion of this and then flip it over and it's exactly the opposite in the other. We ask the child to say when that prints clearly. This checks the focusing. They must clear it almost instantly, you see, so that the focusing element of the eye must work at top speed.

The convergence of the eyes: The back of the eye has a very tiny portion only, known as the fovea, where clear vision is possible. The eye cannot turn very far, you see, without turning away from this tiny area at the back of the eye. When you have two eyes and one eye interferes with the other, that's game over, so we must check the convergence of the eyes.

The other is fusion, the image they are looking at: One on each eye must overlap at the back of the eye, and

unless the eyes are aligned, this will not occur.

So that is as far as the eyes are concerned.

We check the tactility, how a youngster is able to feel certain objects and tell what it is. Remember that every sense modality mirrors all the other senses within the brain, and this is what we are checking when we call the assessment. You look at a dog out there: You know exactly what that fur feels like, you know what it says when it barks, especially when it's near the food bin. All of these things are mirrored in each one of these sense modalities.

Am I making sense to you on this? For instance, take the gustatory, the sense of taste, and the smell. You can place objects in the mouth and if they have a taste, you are able to tell the shape of that particular object you have there, whether it's round or square or whatever, and the taste of it and so on.

Every one of the sense modalities, then, will image the other sense modality. Each one will have four or five images connected all together. This is known as coordination of the senses and there are special training devices for this. Does that answer your question?

Mr Sutherland: Yes, thank you.

Mr Robert V. Callahan (Brampton South): Doctor, I want to bring this down to its common denominator. As I understand, what you're saying is that the eye—I don't want to downgrade the eye, but it's really a muscle. The muscle has to converge in such a way that you have monocular vision as opposed to binocular vision, and if it doesn't focus properly, the person who's reading really is not comfortable reading and that will throw off the other senses; in fact, it will concentrate more on trying to read the words rather than interpreting. Is that a fair representation?

Dr Hurst: You're perfectly right, Bob, in that. Remember, what we're talking about here is coordination, coordination of the eyes, and that's what you're talking about. The muscle of the eyes is more than 100 times powerful enough to complete whatever it is set out to do, but the coordination is another picture altogether. Within the eyes themselves and the coordination of those three main areas—focusing, convergence and fusion must be tied in together and correlate and coordinate together very, very well.

Mr Callahan: Just following that hypothesis, because some of my colleagues have asked me why you've got these tests with the perforated holes and so on, presumably if a person exercises the eye, just as they would any other muscle in their body, by reading from an early stage in life or whatever, even if they have that difficulty they should be able to overcome it, yet a child who watches television is really not exercising the muscle at all. It's simply a straightforward passive staring at something, and therefore they don't develop this sync, their ability to have what would in essence be monocular vision.

It's interesting. I've been involved, as I think Margie has too, with a lot of groups who've dealt with learning-disabled kids, and it's interesting that these kids, in the main, when they play sports are either goalies in hockey

or goalies in water polo or whatever and they're usually catchers in baseball. That would almost seem to say that they have binocular vision.

I don't know whether that's ever been looked into, whether the reason they have that ability to see a ball coming from all around them is because they have not developed the monocular vision that concentrates, as you say, on the fine point, the needlework or whatever that term was you used; that they still have this ability to be able to look out there and see a lot more than just the normal area of vision that we who have developed a monocular vision ability have and are able to read properly. They still have this binocular vision and have a much broader expanse of the picture when they look at things. I don't know whether there's ever been any study done on that.

Dr Hurst: What you have to remember here, Bob, is that we're talking about distances. This is why the near point working distance study, which I did back in the 1950s, by the way, was almost immediately picked up by the London Times, England, New York Times etc, because all of a sudden they saw this particular very important concept.

You can't consider 20 feet, 16 inches or six inches—even 16 inches and six inches are totally different, they're quite opposite. When we take a correlation at 16 inches with reading and six inches with reading, we find a negative correlation with one and a positive correlation with the other. They're opposite, do you see, even in that short distance.

What you're talking about here, Bob, in football and so forth out there, is that it's totally different from up here, and this is where these kids have to perform: up here. If they can't perform here, it's game over with them.

Mr Callahan: We don't have much time left. I'd just like you to explain to the committee what the process was that you set up in San Bernardino, California. What was it? We've got pictures here of kids putting their finger into what appears to be a Ouija board. Maybe you could just explain quickly what that is, because I think that in some way demonstrates what you're trying to do in Muskoka. Maybe you could just do that for us.

Dr Hurst: That's counting the dot series, by the way; they have to count those dots. If they use their finger to count the dots, what we like to see those kids do is use their eyes. We just set dots in concentric circles and we say: "Put your hands down. Now count those." Many of these kids who are in trouble in school are just unable to get beyond two or three dots, and they have to reach out and do this, you see. We know then that these kids are not coordinating properly. They have to bring in a whole lot of senses.

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Mr Callahan: This is not something each teacher would do individually in a classroom. What I wanted to know is, what were you proposing in the Muskoka board? Is this a special side of the education: to test people and to assist them in terms of redeveloping their muscles so they can focus properly? I don't think you've told us that and I don't think the committee understands that.

Dr Hurst: Actually, there's one main thing I haven't told you here. Blanch Brandt, in San Bernadino, is a Canadian and wishes very much to come to Canada. She's had 12 years' experience as administrative director of this group. She's had another 10 years on top of that in a private office doing this particular type of training and organizing it there. Dr Brandt has her doctorate in psychology and is probably one of the best-trained individuals in the world today in this area. Dr Harry Silverman, of the educational research department, University of Toronto, has talked to me about this in bringing in Blanch, if funds can be found to be pay her salary, because I believe the institute is starting to scale down; many of you probably know this. He hasn't really discussed it with them, but he's talking on these particular lines, of bringing Blanch into the institute and having her go to work with these particular units and help set them up.

Maybe you don't have the 40-item assessment list and the 92-item assessment list in your group there. If you haven't, I'm remiss, because you should have it.

The Vice-Chair: That may be part of the package the auditor has, which is more extensive than what members have. We can certainly share that information with members.

Dr Hurst: If any of you would like a copy of these—this has a list of all the tests that are done. Some of them you will understand because they're quite simple, but they certainly tell a lot as far as this child is concerned out there. Did that clarify you—

Mr Callahan: It does, in a way. If it's in the material, fine. But I wasn't sure if the committee understood exactly what was done in San Bernadino. Was there a special room for it where children were brought in?

Dr Hurst: Yes, definitely. They had a unit installed right in the San Bernadino juvenile hall.

Mr Callahan: And that's what's proposed—

Dr Hurst: The staff in San Bernadino includes an optometrist, Blanch Brandt, as the administrative director; Paul Boccumini, who is the director of health there; they have a full teaching staff, approximately 10 to 12 in the class. All of these people say that when this program was put in, they found that their job all of a sudden became much easier to do. And remember that this does not teach reading. You need a reading teacher to teach reading so that education is not cut out because of this. This is the bottom line and the child must have the sense modalities each one assessed and each one coordinated with the other. That's the way it should go in these units.

Mr Callahan: Thank you, Doctor.

Mr Rosario Marchese (Fort York): Dr Hurst, I'm going to try to ask some quick questions. We're running out of time, so rather than making statements, I will do that.

We, as you know, have an identification placement review committee process that happens all over Ontario. Do I understand that in this identification placement review committee process, none of your ideas are being tested out through that process at the moment?

Dr Hurst: No. At the moment, absolutely not.

Mr Marchese: They're not doing it.

Dr Hurst: No. They are a going concern in five different areas within the United States at the present time. They are in incarceration units, by the way, and each one of these areas is saying that the recidivism rate is being dropped substantially in each one of these.

Mr Marchese: I understand. I just wanted to confirm that none of your ideas is being used when we do early identification of our students in the school system. That's correct?

Dr Hurst: I've been working at this since 1948 and I have published since the 1950s, so it's quite obvious that the scientific community has been well aware of these. Probably in individual offices they are being put to work, that's for sure.

Mr Marchese: But is there resistance to some of your ideas in the educational systems, with the people who do assessments, with educators? Is there some block or resistance to some of the things you're proposing?

Dr Hurst: Absolutely. Locked-in resistance: It's exactly this. This brings up a very important area. You've probably read the book on Programmed Illiteracy in Manitoba. This was a young mother who wrote this book. Teachers were told to teach by a certain method; otherwise, if they deviated from that—the method wasn't working with kids, so these teachers were extremely conscientious and they would say, "I'm going to try something else." These teachers were fined because they were teaching in another method than that prescribed by the administration. This is horrible; I can't believe that

this existed. This book is available, by the way. The name is Programmed Illiteracy. Take a good look at this.

I don't think they're fining teachers here in Ontario whatsoever, yet they may be doing it by other subtle means. Maybe they're not doing it at all. Maybe the teachers don't know there are these other beautiful methods they can be using for teaching kids who are not learning by what they are doing.

Mr Marchese: Mr Chair, if we're running out of time, I'll just stop with my questions.

The Acting Chair (Mr Bruce Crozier): Are you finished?

Mr Marchese: No, I'm not, but it would take a long while, so I'd rather not continue with the questions, Mr Chair, if we're waiting for the next group.

The Acting Chair: Dr Hurst, on behalf of the committee, I'd like to thank you again for your attendance today and for the information you've left with us. I would hope we will gain some insight into the comments you've made. Thank you very much.

Dr Hurst: Thank you very much. I hope your decision is a positive one, really, because these kids need your help, there's no question about that. Thanks a lot, ladies and gentleman.

The Acting Chair: We'll just take a very short break. We will be going into closed session, so as soon as those who've left the room who need to, we'll move on to the briefing by our research.

The committee continued in closed session at 1109.

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White, Drummond (Durham Centre ND) for Mr Perruzza

Clerk / Greffier: Decker, Todd

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service



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Third Session, 35th Parliament

Assemblée législative de l'Ontario

Troisième session, 35^e législature

Official Report of Debates (Hansard)

Thursday 17 November 1994

Journal des débats (Hansard)

Jeudi 17 novembre 1994

Standing committee on public accounts

1994 annual report,
Provincial Auditor

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STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 17 November 1994

Jeudi 17 novembre 1994

The committee met at 1010 in committee room 1.

1994 ANNUAL REPORT, PROVINCIAL AUDITOR

Consideration of the 1994 annual report of the Provincial Auditor.

The Vice-Chair (Ms Dianne Poole): Good morning. I'd like to convene this session of the public accounts committee. Today we are going to be reviewing the Provincial Auditor's report and determining what areas the public accounts committee would like to study.

I'd like to begin by offering the Provincial Auditor an opportunity to make some opening remarks, including, if he so chooses, any recommendations or suggestions of areas where he feels it might be appropriate that we pursue recommendations in his report.

Mr Erik Peters: Again, as we did in the previous year, we focused on three areas: accounting, accountability and value for money, and all three are areas the committee might want to follow up.

In the accounting issue, we are certainly very pleased, and have expressed that many times, that the public accounts now are based on the standards for good accounting and financial reporting practice that are used by other governments in Canada. The concern we had was that the interim actual results that are presented with the budget when it is brought forward are doing two things.

First, they are focusing essentially on the consolidated revenue fund itself and not on the other financial activities for which the government is responsible that are outside the consolidated revenue fund. There are three particular kinds of enterprises that are concerned with that and I just want to go over those very quickly.

There are, first, so-called government organizations. Those are government organizations that are essentially run by the government as well, directly, and they virtually receive their funding directly from the government itself. In the current climate, for example, the capital investment corporations clearly fall into that category. Some are intended to do otherwise eventually, but they are still currently fully relying on government funding for their activities. They will be included in the government reporting entity, if you will, on a line-by-line basis. Every one of their activities should be included and is included in the public accounts.

The second area of activity the government is in is so-called business enterprises. Examples of those are the Ontario Lottery Corp, for example, which is independent and declares a dividend to the government. Another example is the Liquor Control Board of Ontario, which

also declares a dividend to the government. These are, under the new accounting rules, consolidated on what is called the modified equity basis in which the government picks up the dividend, essentially, reverses the dividend when it consolidates it, and then takes in the net equity that the province owns in these organizations.

The third area that I would like to spend a minute with you on is what we deem to be trusts. These are organizations that essentially are, by legislation, at arm's length from the government itself, and where the legislation itself is prescriptive in such a way that the government can actually not receive dividends from them. Conversely, the government is not on the hook to fund them if they get into trouble.

A good examples of that, at least the way the current legislation is framed, is the Workers' Compensation Board, which under the Workers' Compensation Act is independent of the government. I believe, if I read the testimony correctly by the Secretary of the Management Board of Cabinet, the intention even of the new legislation is to keep them financially independent of the province.

That is a difficult area for us as auditors, I should add to that. That's why we made special mention of it in our annual report, because the more control the government appears to exercise over these activities, the more it gets roped into the government entity. An example of that: If the government gets into the business of determining what kind of benefits the Workers' Compensation Board should cover, that could very well be deemed to be such a significant element of control that ultimately we may have no choice but to include it in the government reporting entity. So this is an area that both the Ministry of Finance and we are watching very, very carefully, how this is being done.

The other major organization which is of interest in this connection is certainly Ontario Hydro. We had quite a bit of legal advice when we conducted the audit, and so did the Ministry of Finance, to determine whether or not Ontario Hydro needs to be included. Finally, the conclusion that was reached both by the lawyers we had as well as ourselves, and total concurrence of course by the Ministry of Finance—there was no arm-twisting or anything like that at all—was that Ontario Hydro is sufficiently independent that it need not be included in the government reporting entity, firstly because the areas where it is a potential drain on the government are already disclosed; in other words the guarantees are disclosed, and the fees being paid, and they are in addition to the debt that was actually borrowed by the

province and then flowed to Ontario Hydro, which is also clearly disclosed in the financial statements.

The point is that the Power Corporation Act itself deems Ontario Hydro to be neither profitable nor a loss maker. It's supposed to break even. If they have money, they can set it aside in a reserve to repay debt. If they don't make money, they can call on that reserve and call it down. A classic example of course occurred during the year in which the \$3.5-billion write-off by Ontario Hydro did not result in a call on the government to say, "Bail us out in some way." That helped in the process.

So that is the third category. These are the two major examples.

If I may be allowed an off-the-report comment, the press for example added up the debt to the \$150 billion. Therefore we're looking at the \$33 billion, \$34 billion of Hydro as really being outside the government domain. We're looking at the \$12 billion on the Workers' Compensation Board as outside the domain. But we have a careful watch on whether they should be included or excluded, depending on the activities that are going on. This is not in our report, but we had frequent discussions, not with the Ministry of Finance necessarily but also with the Ministry of Labour and even some discussions with some board members about the new structure of the Workers' Compensation Board to ensure that this independent and arm's-length relationship is safeguarded. In any event, the major problem there is one of the government-reporting entity, inclusion and exclusion.

The second point we're making very strongly in our report is that the Minister of Finance, as late as November, related the fact that he will in the new budget prepare a reconciliation between what is called the modified cash basis of accounting which was used in the past with the new Public Sector Accounting and Auditing Board, or PSAAB, rules of accounting. That would be presented with the new budget when it is done.

What does concern us, and with my eyes wide open I'm stepping into a bit of controversy here, is that there are certain transactions that are planned in the budget which don't depend on these accounting rules. They depend simply on an assessment of financial reality. These we have pointed out in our report and these we may want to deal with.

For example, all the loans made to universities, hospitals and municipalities, by the PSAAB recommendations and by actually the so-called clean sweep that occurred in 1986, since that time, are considered grants. A little anecdote: I had many phone calls, for example, from hospitals calling me up and they said to me, "Wait a minute, our treasurer has just given us the financial report and he says that the loan we got from the province, we have to disclose it as a grant."

They said: "Is that right? As Provincial Auditor, do you have anything to say about that? How do we vote when we vote on those financial statements?" I said: "No, it's absolutely right. They are grants."

There is something in the Canadian Institute of Chartered Accountants called the emerging issues committee. I'm not sure where it came from—I can assure you it

didn't come from my office—but somebody asked for a ruling by the emerging issues committee on the loans flowed through the capital investment corporations set up under Bill 17. The ruling from the Canadian Institute of Chartered Accountants was very clearly that these are grants, they're not loans.

If you in the public accounts were to, for example, look at the accounts of OFA, the Ontario Financing Authority, the loans that were flowed through the Ontario Financing Authority are not even shown in their balance sheet, by agreement. We discussed this at length and it was not even a matter of negotiating. There was full agreement by the Ministry of Finance that this was the proper way of disclosing them.

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The Ontario Financing Authority essentially discloses these loans the way, to give you an example—I hope I'm not outside the realm of the way you deal with it—many trust companies, for example, administer the pension plans for many corporations. I don't know whether I'm putting the right one in, but I know Royal Trust, for example, may administer pension plans for Stelco—I don't know whether they do or not—but Royal Trust would not consider that an asset of its own. They call it an asset under administration and, as such, exclude it from their balance sheet because they have really no role in it other than being the custodian and charging a fee and potentially giving some investment advice. That is another possibility. But taking this concept into account, there was absolutely no disagreement nor was there any debate in preparing the accounts of the Ontario Financing Authority and leaving these debts off their book. They also were in the statements of the Ontario Realty Corp.

We called the Ontario Financing Authority a conduit, which is the way it is currently operating. Ultimately, there may be plans to do something different with that corporation, but the current financial reality is that they are operating currently as a financial conduit.

The hospitals, for example, have included these as grants although there's no doubt about it, lawyers were engaged, lawyers drafted up loan agreements, interest rates were struck, severe negotiation took place, particularly between the Ontario Realty Corp and the Ministry of Finance, to determine rates that were to be paid. But the fact of life remained that these loan agreements were a legal form but not financial substance.

So this is why we're talking about the \$900 million, and when we looked at the current budget, as prepared, again these transactions are budgeted to be outside that. My office—and I want to be very, very clear on this—cannot, should not and does not want to audit the budget. We're looking at transactions that are planned to take place. My office reports on these transactions when they take place. So what we're looking at is the comparison as to how these transactions are financially planned and what the financial reality is in which they are actually transacted when they come to the front.

So these transactions in the past budget, for example, for the hospitals, had been budgeted as loans. Indeed, the mechanics were put in place, loan agreements were struck, lawyers were engaged, lawyers drafted loan

agreements, boards of directors approved loans, but when the financial statements were presented, for example, in the case of hospitals to the boards, they found themselves approving a grant in the financial statements because that was the financial reality.

That was how the transactions were done. So what we are continually saying is that we should very carefully look at how the transactions are actually executed; how they are planned, how they are executed.

The second part of our concern is these transfers of real estate from the government to people like the Ontario Realty Corp. The difficulty again is that there are legal agreements struck. They are all there; they are all signed by independent parties. The chairman of the board of the realty corporation will sign, the Deputy Minister of Finance will sign, in some cases even the Minister of Finance.

However, the difficulty with that—and I hope the Chair will stop me if I get too long on this, but I think this part is very important to understand—is that the potential is here that if these transactions are transacted the way they were last year, the budgeted deficit may be significantly higher when it actually comes out in the public accounts. This is the concern of the office and this is the concern we are raising on the accounting issue in this report.

The second transaction is these transfers of existing assets to the realty corporation from the government. There are two kinds of these and I just want to spend a minute on that.

Firstly, there are assets which the province declared surplus and put into the realty corporation and said, "Please dispose of these as best you can." We have agreed that is legitimate outside business, that is, holding assets for resale, and those assets we have left in the public accounts of the province. That is one part of the Ontario Realty Corp's activities that has all the earmarks of earning the taxpayers actually outside revenue by disposing of these properties. Indeed, during the year they disposed of about \$23 million worth of those when you look at the realty corporation, so that was done.

There is a second part, though, and this is what the government itself calls, and the Ontario Realty Corp's not very keen on that nomenclature, managed assets, in other words, where these buildings were transferred to the Ontario Realty Corp with the purpose of giving sort of a private sector approach to lease, rental and managing property and doing this.

It is the assets that are transferred on this basis where we are questioning because, at the moment of the transfer, there is really no revenue generated for the taxpayer at all. In fact, quite frankly, we raised the question on this as to—the term of "beneficial ownership" is used in the accounts of Ontario Realty Corp because it was, in agreement with us, found to be a very expensive proposition to actually transfer real title. That demands legal work and the cost of this would have been just tremendously high. In order to stop that, we went along with saying that beneficial ownership had been transferred between the two. However, again, these transactions are underpinned with loan agreements. There are lawyers

who will say beneficial ownership has actually been transferred, but it has been transferred between totally controlled organizations, the consolidated revenue fund and the Ontario Realty Corp.

As a result, the way the financial transaction ultimately was done did not create at that particular point any new revenue. The benefit will be in the future, hopefully, if this board, which has quite a number of outside appointments on it, does manage to save the government money. That's where the real benefit is going to be. If they can save money, if they can consolidate ministries into smaller space, if they can rent some of the space out to the private sector etc, that's where the benefit is going to be for the taxpayer. But the benefit is really not in transferring it to them, particularly since it is transferred at estimated market value. Appraisers were hired to determine the estimated market value, and at that point it was set up. It was just an appraised value, but not a real dollar flow. That was the second.

The third kind of transaction, which is contemplated again, was the one similar to the GO Transit situation. The GO Transit situation itself was actually a very imaginative and quite well-thought-out way of borrowing, of using government assets to borrow funds. All credit is due for that transaction. However, the point was that although GO Transit then declared the proceeds from this debt as a dividend to the government itself, according to the Toronto Area Transit Operating Authority accounts, the government already agreed in December 1993 to repay, to take over the debt, literally, for GO Transit and pay it back. So it was a debt, yet at the time when the deficit was presented, the deficit was reduced by this amount by declaring it a revenue, although the agreements had all been signed already that this was a repayable debt.

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So these are the three major characteristics of transactions that we are looking for in the current year because they are budgeted again in one way, and we'll have to look very carefully at how the transactions are actually done so that we all get the right picture.

I can say to you that the Minister of Finance, in the November 1 question period in the House, indicated that he had written a letter to me, and indeed he has. In the letter, the Minister of Finance is asking for our cooperation and input in making sure that these transactions are properly handled. So we are very much looking forward to a period of cooperation with the Ministry of Finance on these transactions to ensure that things are done the way the new accounting rules should do them; but more importantly, not depending on accounting rules, that the financial reality is going to be there, that the business is done in a way that gives rise to proper accounting.

There's a statement I've made to the Ministry of Finance and it's one I won't waver from after decades in the accounting profession, that accounting doesn't drive budgeting or financial transactions. It's the financial transactions that drive the accounting. So what I'm saying is, do the transaction right and good accounting will follow. That's the basis on which we are approaching this.

On the accounting area, that's basically, in a long nutshell, our concern, but I thought I would bring to the public accounts committee a little bit of this background so that you have a bit of an understanding, more of an understanding—many of you already have some of the decision processes that we relate in our annual report on the accounting area—of how we arrived at the conclusion that ultimately, for the current year, the net impact of the accounting change was actually a \$15-million positive impact on the current deficit. That should in no way detract from the fact that with agreement with my office, the major impact of the accounting change was actually done as of April 1, 1993, and it amounted to \$7.6 billion. The accumulated deficit was increased by \$7.6 billion, as explained in schedule 12, I believe, of the public accounts.

The major change in that, and again it's a beneficial one for the government—in the preceding year, if my memory serves me right, the pension liability shown in the notes to the financial statements was in excess of \$13 billion in 1993. The accounting rules allow a different kind of assessment, and we did an incredible amount of work. I should confess to you we hired actuaries, the pension plans hired actuaries, we hired actuarial consultants to come to what numbers we should include in the accounts.

From last year's \$13.8 billion, you'll find that the number included in the accounts actually in the liability is \$6.7 billion, so from one year to the other almost halving of the liability. The financial analysts who do bond rating and all those good things take the \$13 billion and add it to our debt and say that's legitimate stuff. So, by halving it down, we as a province actually have benefited from this accounting change.

We have benefited really in two ways: one by reducing the pension liability that is disclosed in the financial statements of the province, and the current year's deficit also has gone down slightly. I'm not ashamed and I'm not embarrassed at all about having suggested this accounting change, because there has been, in the overall picture currently, a benefit. But as I point out, neither the direction nor the size of the accounting change itself is as significant as the fact that you, as members of the Legislative Assembly, will receive better financial information than you did in the past on accounting.

You may wish to make a decision as to whether to have a discussion with officials from the Ministry of Finance as to how the transactions have been done, what the impact of the capital investment corporations on these matters is. These are some of the things you may wish to discuss and maybe shed some light on or give both of us a bit of guidance, and the benefit of your advice as the public accounts committee.

The second area is the area of accountability. On accountability, I have written to you in May and I wrote the same information to the Minister of Finance in June, that I find, I euphemistically call it, the progress slow, but it's pretty well imperceptible. We're not moving very much. Yet, at the same time, there is concern that there's \$30 billion being spent of the public purse that is turned over to other organizations in, as a minimum, an unclear

degree of accountability to the Legislature, ultimately. That continues to be of concern.

This would give an opportunity for this committee to deal essentially with the area of amendments to the Audit Act in the area of the inspection audits. As I outlined in my letter to this committee and again in the report, the current definition of "inspection audits," being limited to the accounting records of organizations, essentially would not permit my office to conduct full-scope value-for-money audits of the organizations that are receiving the funds. In fact, it severely impedes another aspect of our audit also, which is whether or not these organizations comply with the legislative objectives. Compliance is a very severe area.

Just to tell you how limiting this is—this is not in the report but I'll just add it as anecdotal, because it's known to this committee and it is a matter of public record already but it's worth bringing up again—when my predecessor tried to audit a university, they hired a legal firm and they wrote a letter as to what accounting records are. We were astounded to find that the legal definition of "accounting records" even excludes such things as the report of their external auditors; it excludes such things as the internal audit reports that they're receiving. Accounting records are by their definition accounting records. They're the general ledger and the cash book and that sort of thing. That is just far too limiting.

Spending \$30 billion in that area, I'm not saying they're misspent and I'm not really saying the board of directors and the management of these organizations are doing their job poorly. What I am saying is, we don't know and we don't have the tools to know, and what we're really saying is, let's see if we can't take a stab at it. I am quite aware that there will be a severe, heavy resistance from these organizations. Particularly the university community is up in arms over the thing. They believe that such an audit would be an intrusion, it would damage their institutional autonomy and it would do damage to their academic freedom.

You, as a committee, have had the experience of asking me to do an audit of a school board about special education and unfortunately I had to turn you down. There was no point in doing it, because they already had external auditors and they were doing what I would be doing, so I would be treading on the same ground.

The upshot is, anything that you decide to do to move along better accountability for these transfer payments in the form of grants, which is my primary concern, would be greatly appreciated.

1040

As far as the value-for-money part of the audit is concerned, this year we have about 13 chapters. Each of them may be of interest to you. The sequence we had them in here, just to give you a little bit of a flavour—it's essentially in the front of my report—for my press conference I had selected a number of them in the areas of concern. The first one I had selected was the forestry situation, and the ministry actually is in agreement with that, where I believe we are not safeguarding properly the asset that the forests of Ontario represent in the current environment.

The basic objective here is that we replace the trees that are cut with the species that we want to grow in the areas that are cut, and we want to do it in the right areas. Currently, what is happening is that these decisions are based on aerial surveillance inventories which are taken and which are then translated into a map of species and areas which could be, or should be, cut, and the preparation of these inventories has simply fallen so far behind that we no longer have the assurance that we actually are harvesting the right areas or that we are doing the right work, putting the right species in.

The second part again is a money thing. Most of the money seems to be spent up front, that is, on site preparation and on putting either seedlings into the ground or planting small trees, but most of the time there's no money left for tending. My staff has come back with very shocking pictures of comparing two adjacent sites, one that was tended for five years and has now six- to seven-foot trees growing healthily and in a good environment, while the one not tended across the way is just scrub and maybe the occasional tree of the desired species once every 20 feet or so.

That was one area of concern. The other one, and I don't want to dwell on it any longer, but I tell you I'm grateful for what happened in the House on both sides, is the drinking water and the sewage situation which we raised. I very much like our report and I think you'd like it to be a catalyst for action and certainly there is going to be action. I hope this is not just a one-day wonder and shouting match but that there are actually results. So this is one other area you might want to just find out what the follow-up by the ministry is on its own report.

One thing I might explain to you which is beyond the report is that we are mentioning that there were subsequent reports, but the reporting of how plans are performing in all these things are a little bit behind and the 1992 and 1993 reports, for example, on sewage treatment plants just came out when we were through with the audit.

Another fact that you may wish to bring before ministries, and this applies generally—it does not apply just to the Ministry of Environment and Energy—we had originally planned to table our report at the beginning of the fall session, so we did our work in such a way that the ministries had pretty well our final draft report in their hands in June and July. As you know, the Parliament only convened at the end of October and, secondly, the really massive undertaking—I should praise the tremendous effort that was made by the Ministry of Finance and certainly by my staff. We burned the midnight oil many nights to get this new accounting change through.

There was a lot of work done and the public accounts were 20 days late, but it's a miracle that they were only 20 days late. The effort that was made to push that through was just incredible. As a result, our value-for-money audits were out there for a long time, for several months already, and ministries certainly had a chance to take action on these reports. So, so much about the water. That may be one area you might want to take a look at.

The family support plan: We found the administration

in some difficulty. Largely, the computer system deficiencies were of major concern, and also the way the plan works itself is of some concern inasmuch as at the moment there is no purge, all 126,000 cases turn around in this thing at all times. Definitely something has to happen to their computer base system to improve the administration.

Also, and this is something that is throughout my report, as you know, under the Audit Act we are supposed to see if the effectiveness of programs is measured and reported. We cannot comment. The press is always after me for that, to report on the effectiveness, what's the overall rating etc. No can do. The act simply is, wisely—and I'm very happy about that, to stay out of it—designed in such a way that I can deny answering those questions. But what we can assess is whether or not the effectiveness is measured and reported by the ministry itself, and quite frankly, in that area there's a lot of mileage to go.

The ministries very often just do not measure and report whether the particular program is effective, and the corollary is that if they don't measure and report, they are in difficulty in evaluating how effective it is. Certainly the most important step to us, it permeates all our work, is, do they take corrective action then to achieve the effect, to make it effective, to achieve results? This is why our whole audit thrust is in that direction, that's what I call the new style of reporting: Are we achieving the results?

So in the family support plan, we found that the ministry very much needs to improve its measuring and reporting of the plan's performance.

On child welfare services, again the major thrust is measuring and reporting whether it achieves what we want it to achieve. The other part is, and I quote directly from the report, we also recommended that the ministry improve its efforts towards early intervention and "the prevention of circumstances requiring the protection of children."

That's a very, very difficult area, but it is in the law. Subsection 15(3), I believe, of the act under which they operate asks them to take steps to prevent the circumstances requiring the protection of children. While that is very difficult, it is what you as legislators have decided that they ought to get involved with. You may want to find out what is happening on that score.

As far as general welfare, there are astounding statistics as to the increase, tripling, of the people who depend on general welfare from 1987 to the present, and more than quadrupling of the amount of moneys paid. The last serious look—I shouldn't say serious; I correct myself—the last formal study was done in 1987. So currently we are not quite sure whether we or the ministry know—there's also a very good question, and in that regard you might have some input, as to whether it's worthwhile doing.

Why I raise that question of whether to formally study is that the Ministry of Community and Social Services has been given a very, very substantial amount of money to bring the computer systems which they are using up to date. We are currently following that up as to what is

happening there. The main difficulty—and I do it with some reluctance, but I think it's an important point to make—we are saying that the ministry should work together with the municipalities to strengthen the efforts. This cooperation with the municipalities just has to be a simple key factor and also a key factor in avoiding abuse if this kind of welfare is administered by a municipality. There are 350 municipalities, I believe, involved in doing this. We are worried about people right now.

I think Alberta and British Columbia did a study of border residents as to collecting money in British Columbia and in Alberta as well, out of the system. The way the system is run right now, there is a very strong possibility that people are collecting in two adjacent municipalities, just travelling from one to the other.

The systems are now under development, but we are making a very definite recommendation—and I'm not out of line at all with my report here—that they have to take some interim steps until these systems are in. What are we doing under the current system so that people do not collect in different municipalities, just present the same information and collect money? In any event, there is a lot of activity that should be taking place while this is developing.

I believe, if my memory serves me right, the plan of improving the systems is a three-year plan. I think we're not looking at full implementation until about 1996-97, something in that time frame. So what is happening in the interim is certainly a question that legitimately can be asked.

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The Vice-Chair: Auditor, I apologize for interrupting. Your comments are quite valuable, but I am a little concerned about the time, since we do want sufficient time for members to contribute to the debate. I wonder if it's acceptable to committee members if the auditor just summarized, if there are any particular areas where he would recommend. We could probably do a job on each one of them, but our time over the coming months will be quite limited in what we can cover.

Mr Peters: I think what I'll do is, rather than highlight them to you, because each one of them has its particular parts, I'll just quickly list them off.

We looked at violence against women, that particular program; the Jobs Ontario Training program, which was much discussed; water and sewage we have discussed; community and health programs, which are alternative methods of providing health care. We followed up on our previous audit of grants to public hospitals. We looked at the rent regulation program. We looked at forest management, which I discussed. We also looked at the activities of the OPP, Ontario Provincial Police. Their main area seems to be in human resource management, major concerns; drivers' licensing and control and the municipal road subsidies.

I thank you very much for the interference. I can go on forever, as you can tell.

Mr David Johnson (Don Mills): I, for one, am interested in the comments of the auditor, and I hope we haven't minimized any of his comments in any of those

areas. I would encourage that if he has any particular comments in the areas that he ran through quickly at the end that he would like to make, I, for one, would like to hear them. We've got lots of time this morning.

The Vice-Chair: That's fine with me, Mr Johnson. The problem we have is that normally we take one meeting to decide what areas we are going to cover, and members have various opinions about what they should be. It's been 45 or 50 minutes so far with the auditor, and I think it's been time well spent, but if members want to take this into a second meeting to make our decision, I'm happy to do that; whatever you feel is appropriate.

We do also, I would point out to members, have a couple of things that we haven't quite finished up on the docket of public accounts. One is whether we are going to have hearings for changes to the Audit Act, and the second is the legislative accountability framework. Those are both ongoing efforts that we've been discussing.

We have three more sessions of public accounts before the Christmas break, and then we would have to make a decision whether there are specific areas we'd like to cover in the intersession. So we've got fairly limited time.

Any comments? Do you want the auditor to continue?

Mr David Johnson: If he has anything that he particularly would like to bring to our attention as a result of this report, I particularly would like to hear it.

Mr Kimble Sutherland (Oxford): Maybe I could suggest that if we allow the auditor to go until 11 o'clock, another five or six minutes or whatever, with specific comments, then that'll leave an hour for discussion. I think the Chair is quite correct in saying that with the limited time we have we need to make some decisions on what we want to examine.

Mr Anthony Perruzza (Downsview): Can I ask for a specific area of focus? I'm keenly interested in the techniques used for the audits, because it's quite obvious when you go through this report that this report is written, in my view, when you compare it with past reports that have been presented by auditors to both this committee and to the House, in a substantially different way in the way the auditor is now looking at value, value for money, and in the way the auditor is looking for, as he calls them, "corrective measures exercises in ministries and throughout government," and the way the auditor looks for accountability measures in the process of government as they relate to school boards, as they relate to hospitals, as they relate to municipalities, as they relate to universities; as he mentioned in his presentation, where a university wasn't even clear on the techniques that it needed to use in order to have an accounting measure for the services that it was providing.

Maybe we should take this into another exercise of this committee and perhaps spend some more time on doing that, because it would seem to me that even the auditor's report is an amorphous thing, and it changes and it evolves. I'd like to have a clearer understanding of the techniques that he uses in making those assessments.

The Vice-Chair: Well, Auditor, we've just given you a challenge in five minutes to highlight the rest of the

report and give a synopsis of the changing techniques. So I'll leave it to your discretion which you'd like to tackle.

Mr Peters: Okay. It probably takes me five minutes to think about that. In all fairness, I've told you my main points in each individual case. I would like to refer you to chapter 1, in which we tried to summarize, essentially, each chapter on the value for money, tried to give you the three key issues that we wanted to deal with in each of them that we felt would be of interest from a summarized point of view. They may give you also sufficient input to make the decisions.

If I can highlight, I'm quite concerned, and this deals with the accounting issue again, with the municipal road subsidy, where I believe improvements can really be made in the way financial information is again provided to the Legislature in turn when they get the estimates, so that they can properly assess it. In the estimates, for example, the road subsidies are shown as \$700 million of capital, and it's not the ministry's practice to spend that money on capital. So the Legislature might want to know about those sorts of situations.

The Ontario Provincial Police, it's a rather interesting situation in terms of major, major staff turnover through factor 80 and an aging police force. They're looking at recruiting about 400 new policemen. They have to put a lot of things into how they do it. Also, we found that there has been over the last few years quite a deterioration in the number of hours spent actually by uniformed policemen or by the policemen in policing activity. Their other duties, report writing and everything else, take a lot of their time. I think the number is that it has gone from 24% of active policing time to 16%. That's quite a significant decrease over the number of years. So something has to be done if you put this together with the community policing that they want to get involved in.

We talked about forest management. The Jobs Ontario Training program, I don't have to add anything to the debate; it's going on. Some of the other areas, like the community health programs, the grants to public hospitals, may very well fit into the accountability discussion as well: How are we accountable?

Just a short anecdotal thing, one of the things we noted is that there is an accreditation mechanism in the province for hospitals, and that is not used by the ministry to assess the performance of hospitals. You know, how well do they make out in their accreditation?

1100

This maybe is a summary comment to everything: In my report, I very clearly indicate what the ministry's response is to each of our recommendations. So one of the ways of proceeding would be to follow up on these individual recommendations.

As far as the question of what has changed in our auditing and how do we go about doing it is concerned, essentially what we are auditing for now, and it's crystalizing more and more, is that we are auditing for results. What is the bottom line? Are we achieving the bottom line? Do we get value for money for the tax dollar spent? All our audits are focused on this. It's always the results.

To give you an illustration, we will say, for example,

under the Ministry of Transportation, "Strengthen the processes to ensure that medically unfit drivers are not operating vehicles." The point is that in the past we would have said, "Gee whiz, you know, it's terrible; you have 12,000 cases," or whatever the number is, "Well, you know that you have to follow up whether they're safe," and we would strengthen the process. We are now saying, "Strengthen the process," because what you really want to do is you want to pull drivers off the road who are medically unfit to operate the vehicle. So the thrust is in that direction.

In the forests, we are no longer talking about whether the forest management agreements are good or bad or indifferent, but are we actually getting reforestation for the acreage that is cut? So our focus is on that. But that means we have to have very clear criteria or standards against which to audit, and most of our time is really spent with the ministry agreeing on those criteria. What is the ultimate objective and how do you know you're getting there? What are the criteria you're using? We then mutually agree on these criteria, and we audit against these criteria.

Mr Perruzza: Do you do an assessment on lazy people versus a flawed tendering process? I'm not clear when you say that.

Mr Peters: If you talk about people, we say, for example, "The fact is that the number of hours that a policeman spends on policing have gone down." So we say, firstly, what defines, what are the duties of a policeman? What do you expect? What are the criteria of expectation? Then we go step by step and find out which of these criteria are being met and which are not being met. That's why we get into absenteeism. We get into training, we get into how well the computer system works that they're operating with.

In other words, we're looking at every single aspect that could stop, for example, a policeman from doing police work out on the road. So yes, we do get into that. Does that make more sense?

Mr Perruzza: Like, they used to handle 10,000 calls; now they're only handling 7,000 calls.

The Vice-Chair: Mr Perruzza, perhaps you could leave your question till the time for your caucus's questions, and we'll just have the auditor finish up.

Mr Perruzza: I think it's important to get, again, a good understanding of these kinds of things, because I think we're on the same wave length: We want to get the best bang for the buck possible. I think the auditor does a good job in doing that. But if we don't gain a clear understanding of where the waste is and how it's happening, then how can we go in and, to use his words, introduce corrective measures to make government more efficient?

The Vice-Chair: I agree with you absolutely. I was just pointing out that this can be done during your caucus time, because I think we have a number of members who are quite anxious to get into the debate. Are you completed?

Mr Peters: Yes. I think I'm beyond my time, actually.

The Vice-Chair: Thank you very much, Auditor, you've been quite helpful. We'll start with 10-minute rotations of the three caucuses. You're free to either ask questions of the auditor or alternatively to give recommendations for what you'd like to see public accounts do in the coming months.

Mr Larry O'Connor (Durham-York): Maybe we should welcome Gerry Phillips to the committee as well. We appreciate having you here with us, Gerry.

Mr Gerry Phillips (Scarborough-Agincourt): Very nice of you to say that.

The Vice-Chair: Thank you, Mr O'Connor. We welcome the Finance critics for both the Liberal and Conservatives parties, Mr Phillips and Mr Johnson, and also the parliamentary assistant to the Minister of Finance, Mr Sutherland.

Mr Sutherland: We all know who we are.

The Vice-Chair: Having done the protocol, let's get to business.

Mr Phillips: I'm looking for some help from the auditor just in terms of how we might deal with some of the issues he raises.

In your report, you say, "Most of the key financial decisions by the legislators are based on the financial information presented in the budget," so that as legislators, I think you're saying, when we make our decisions is when the budget is presented and we debate the budget. That's the time when—

Mr Peters: Right.

Mr Phillips: You then go on to say that the way the budget is presented, the Ontario finances, the way the budget presents them, differs significantly from financial reality under any accounting rules, that regardless of new, old, any accounting rules, the way the 1994-95 budget is presented to us right now differs significantly from what you would call financial reality.

You go on for last year to identify \$1.6 billion of what you would call differences in financial reality. Then you say that in the budget we're dealing with now, the 1994-95 budget, which is the one we make our key decisions on, financial reality would say that the transactions—that there's at least, I think you say, \$2 billion worth of changes that if you used any accounting rules should be in. Could you just identify for us what makes up that \$2 billion or \$2-billion-plus?

Mr Peters: Yes, I can. I can give you the background on that. Before I do that, very quickly though, we are dealing with the way it's planned and the way they are going to be transacted may be in fact correct. What we're talking about is that when the public accounts are coming out in the fall, they would account for them in accordance with their financial reality. The point is pushing it forward—

Mr Phillips: I need your help because when we have to make our decisions, we have a different set of books than you will present to us a year from now.

Mr Peters: There is only one set of books, as far as I'm concerned, the public accounts, and there's one set of financial information presented to you with the budget. I

make that distinction between books, because I audit only one set of books. In any event, I give you the details.

I don't have it with me. Does anybody have the 1994 budget? I think the easiest is—

Mr Phillips: Surprise, surprise.

Mr Peters: I go by memory. You can check up. On page 115, I think, you will find about \$1.949 billion, made up of \$1.6 billion I think to universities, hospitals etc, and there's \$349 million which was to other institutions. When you go to page 101, I think it is, of the budget, you'll find there is \$165 million contemplated of lease—similar transaction to the GO trains for ferries, trains and equipment of Ontario Northland.

In the paragraph below, again on page 101, is another \$250 million of transfers planned to the Ontario Realty Corp. That adds up to about \$2.3 billion or something I guess.

Mr Phillips: If I could just kind of paraphrase for you what you said: If they proceed doing what they say they're going to do, which is \$1.949 billion worth of capital, if they proceed the way they presented to us in the budget, and if they proceed to do, on page 101, the refinancing of the ferries and the \$250 million worth of managed assets, you would say that the deficit would be \$2.364 billion higher than we currently have reported.

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Mr Peters: If these transactions are transacted the way they were done last year.

Mr Phillips: That's what they've told us they plan to do. I think they're proceeding with hospitals and school boards now on capital for this year on a loan-based financing basis. That's what the school boards tell me.

Mr Peters: Fair enough.

Mr Phillips: This is the problem we get into. I guess my question is, what's your recommendation to us on how we, as legislators, get the financial information that we need to make our key financial decisions? You say we have to have it when the budget's presented and the budget is presented in a way that, right now, you would say doesn't give us the finances the way you think. How do we reconcile that?

Mr Peters: My recommendation is essentially two-fold. Firstly, you may want to decide as the public accounts committee to hear from the Ministry of Finance as to what is currently done about these particular transactions, like how are they being transacted, how is the business done? There's one thing that in an interim way the public accounts committee, in my opinion, could consider doing.

The second part is—and I think we have achieved—we made a recommendation that next year, when the budget is presented, the actual interim unaudited deficit, and I know it has all these adjectives, be as close to the deficit that will ultimately be reported in the public accounts as possible at that particular time. In other words, what was done in the past is that they were excluded because they were budgeted that way.

They were excluded because of their budgeted form. Because the word "actual" is in there, I think there

should be an effort made to put those as close as possible to the others. Those are the two recommendations.

Mr Phillips: I like both of those recommendations. One is to have the financial officials come and if they plan to do what they say they're doing in the budget, then the deficit is going to be \$2.364 billion higher. If they have a different way of doing it, then we should hear from them and how that's going to then be reported.

I think your second recommendation, just so I'm clear on it, when they present the 1995-96 budget—is that the time when they should be giving us the reconciliation of this year's budget, the 1994-95 budget and also giving us the estimate for 1995-96 using what you would regard as financial reality accounting rules?

Mr Peters: The first step of the recommendation, yes, I definitely make it as a recommendation and I understand that there is agreement to do it. The second part of the recommendation is for you to make. I can only advocate because that means changing the accounting rules or changing the financial reality with which the budget is prepared.

Mr Phillips: But you would advocate that we do it?

Mr Peters: I continue to advocate, yes.

Mr Phillips: And for both 1994-95 and 1995-96?

Mr Peters: That's right. Sorry. No, 1994-95—I think that is the first step, having the ministry officials here, but what I'm advocating is that the 1995-96 budget be put on the new basis.

Mr Phillips: When it's presented to us.

Mr Peters: When it's presented for the decision-making. If I may add a third one—I'm really getting way out on a limb here, but I'm doing it very deliberately.

We also deal with these numbers in the estimates committee and potentially these issues could also be dealt with in the finance and economic affairs committee. Some efforts have been made in coordinating some of these activities and it may be worthwhile considering actually for this committee to involve those processes as well in their deliberations, the deliberations of the estimates committee and the deliberations of the finance and economics committee, but I don't want to detract and maybe I'm out there—

Mr Phillips: I don't mean to be extreme, but I just have no faith at all in the budget that's presented. You identified last year 10 major changes that had to be made in the way the books—from the budget to the public accounts. So we find that we debated a budget a year and a half ago, and I'm paraphrasing you here, that had no financial reality. We go through a charade, and it's embarrassing and insulting to us, in my opinion. Your hands are tied because only 18 months later can you say to us, "Excuse me, but you weren't debating financial reality, you were debating a set of books that you"—you don't call them books, but the only thing that we have to debate is what I call a book.

Mr Peters: A financial plan.

Mr Phillips: You call it a financial plan, but this is the book where you say we have to make our major financial decisions.

Mr Peters: That's right.

Mr Phillips: You say it doesn't have financial reality. We are in wonderland here, we really are.

Mr O'Connor: Oh, Gerry.

Mr Phillips: It's absolutely true. I suspect the government has put out some numbers today saying, "Here's what we're spending," and I have zero confidence in it. The auditor won't sign those things. We're making a charade of this thing, a total charade.

Mr George Mammoliti (Yorkview): Did you have confidence in your last budget?

Mr Phillips: Of course I did. We have a total charade and we are absolutely playing games. This isn't directed at you, because you have no authority other than essentially, 18 months after the fact, to give us your comment on a completely revised budget. In fact, I went through all of the changes that you forced the government to make: the GO train refinancing, all these sales and leaseback of government buildings. The Frost building, where the Minister of Finance is sitting, has been sold and leased back. The school and hospital capital is a charade. There is no single—

Mr Mammoliti: Tell us a little bit about the SkyDome.

The Vice-Chair: Mr Mammoliti, Mr Phillips has about 30 seconds left.

Mr Phillips: There is no single hospital that can sign the books the way you want them to. Even the teachers' pension, where we took \$150 million out of the teachers' pension through legislation; the drivers' licences, where we've got five-year drivers' licences, and still in this budget, we're taking the revenue from that in it. I'm sorry to be frustrated by all of this, but we go through a budget debate that, as I say, has no basis in reality. Yes, the books will get cleaned up, but they'll be cleaned up after the next provincial election.

The Vice-Chair: Thank you, Mr Phillips. We'll go on to Mr Johnson for his comments, 10 minutes.

Mr David Johnson: Just following up on that, I would first of all like to thank you for being with us today and offering your comments. I know, having dealt with auditors at the municipal level in the past, it's not an easy job, but it certainly is an essential job and it's one that, thank heavens, we have talented people to do.

Just following up perhaps on Mr Phillips's comments with regard to the 1995-96 budget, which you've indicated you hope is in the form of the public accounts, that the same sort of accounting is used, you also indicated during your comments that the government has had this document essentially, I guess, since June or July, and it's had it—I didn't count the months—I think you said seven months or thereabouts.

Have you had any indication from the government that it would concede to your suggestion, your recommendation, your firm recommendation I think it is, that in 1995-96 they would indeed use the new, proper accounting procedures?

Mr Peters: First, just to clarify the time frame, I talked about the value-for-money audits, that they were

available in June or July, so we are talking about a four-month period having elapsed. If I was misunderstood, I wanted to clarify.

Mr David Johnson: That adds up then.

Mr Peters: On the second part, as far as using the rules in the budget is concerned, in the press conference held by the Minister of Finance on October 20, the Minister of Finance indicated that he would not prepare the budget on that basis. That's the latest knowledge I have on that topic.

Mr David Johnson: That was my suspicion. You've indicated, in terms of the reconciliation, it's about a \$15-million difference that you noted.

Mr Peters: Yes.

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Mr David Johnson: But the government's announced deficit, I think, is—we're talking about the year 1993-94, I think—\$9.3 billion, I believe.

Mr Peters: That's right, \$9.278 billion.

Mr David Johnson: Of course, the difference is much greater than \$15 million. I think that's the problem.

Mr Peters: That's right. The difference is \$1.570 billion, I believe.

Mr David Johnson: Yes. That's my suspicion, that the reluctance is that the government is not keen on having a deficit that's over \$10 billion. By using proper accounting techniques, the deficit inevitably is higher, it's realistic, that's what it really is, but it's not as saleable, I guess, to the general public. My guess is that if, in the 1995-96 fiscal year, the budget were put out as you've firmly recommended, using those accounting principles, then the deficit would not be the \$8.5 billion, I think, that for example is currently forecast for this year—or is it \$8.2 billion now, depending on the revenue situation—but it would be much higher again—

Mr Peters: That's right.

Mr David Johnson: —and perhaps less saleable. I don't know if that's a fair question to ask you, but isn't that really the nub of the whole problem?

Mr Peters: That's the nub of the problem and that's why we said, if the \$2 billion is treated the same way as the transactions were done last year, then the deficit would be in the \$10.9-billion range.

Mr David Johnson: I'm a little inexperienced with regard to other provincial governments or federal governments. Do these same kinds of problems happen in other provinces? Are there two sets of deficits that are issued? It astounds me.

Mr Peters: Yes.

Mr David Johnson: It seems so clear that reality should prevail and yet we have reality and we have something else that gets displayed in the budget. Is this common fare in other jurisdictions?

Mr Peters: I'm afraid so. There are two aspects to this accounting and I'll just go very quickly on that. The first aspect is what's called accrual accounting. That is where we are making sure that we are not relying on just moving cash from one year to the other. That's what happened last year. We had \$500 million of pension

contribution that we said belonged to the last year because we paid them one second after midnight on April 1. I always call that the logical second. That was my ultimate argument in that. I'd say, "For one second, you may have earned half a billion dollars or not." That's what I call the permissive accounting rules, that was the cash, and that's what the government has gotten away from on the accrual.

There's a second aspect and that is what is called the reporting entity aspect, as to what is included and what is excluded. That is where the difficulty arises. Many of the governments present in their budget only the direct transactions of the consolidated revenue fund or its provincial equivalent in other provinces and therefore do not include the other entities that need to be included; like, in this case, on a very pure basis, that would be the approach.

Let me go through the GO Transit situation. The plan was that GO Transit would do all this transaction, incur the debt and then pay the proceeds as a dividend to the consolidated revenue fund. The consolidated revenue fund was planned to have this dividend revenue. But the way the transaction was done was that according to the financial statements of GO Transit, in December 1993, a memorandum of understanding was signed between the government and GO Transit that they would pay it back. The financial reality was that the province had assumed the debt. Whether the form was there or not, whether there were dividends declared or loans or whatever, it didn't matter.

Mr David Johnson: That was the reality.

Mr Peters: There are two aspects to this: Firstly, the inclusion or exclusion, and that is part of the budgetary process; and the second aspect is the financial reality. That's maybe the only part where we really differed in these accounts because the government has said those are accounting differences and we said, "No, no, wait a second, they are really financial reality differences."

Mr David Johnson: Can I ask you a question? If you were the Treasurer of the province of Ontario—Erik Peters, Treasurer, Minister of Finance of the province of Ontario—and next week you were to bring out a budget for the province of Ontario and it was to incorporate the debt as of Monday of next week of the province of Ontario, what would you estimate? You wouldn't know to the nearest penny, but what do you think as of next Monday, according to proper accounting procedures, would be the debt of the province of Ontario that you would put in your, Erik Peters's, budget?

Mr Peters: You're putting me into a very, very difficult spot, but let me leave it with the answer that we provide in our report. If the transactions, the two point whatever, are transacted the way similar transactions were done in the preceding actual year, I think the deficit would be around \$10.9 billion.

Mr David Johnson: I guess the Minister of Finance has indicated that by the end of this fiscal year the debt in the province of Ontario will be about just over \$90 billion. That's what it says in that document, page 115 or whatever. Do you concur with that, roughly?

Mr Peters: That is one point I really thank you for the opportunity of making. There is one point that in all of this, the Ministry of Finance and the Minister of Finance have been absolutely clear and straight in the amount of debt they would have to issue, and it is in the accounts. The rest is really accounting if you look how the transactions are done. But the reality is that in both years—in the year just past, where we reported ultimately a final deficit of \$10.8 billion, the Minister of Finance had said, “I have to issue new debt of \$11.1 billion.” When you look at the budget, I think, the document you have there, and in this case I forget the page number but I remember the number—

Mr Phillips: You’re slipping.

Mr Peters: I’m slipping. It’s terrible. I think it’s around 116, something like that. It’s \$11.1 billion again. So regardless of how we account it, we borrowed last year—

Mr Phillips: Page 116. He’s right again.

Mr David Johnson: Let me ask you, then—

The Acting Chair (Mr Bruce Crozier): Your time’s concluded. Sorry.

Mr Sutherland: I want to make a couple of comments to remember again and put on the record some of the history here. I appreciate the auditor’s comments about the enormous task of changing over the public accounts to the new system that the auditor required, and remembering too that all governments, quite frankly, are at the whim of the Provincial Auditor and which style of accounting they really want to have, in terms of the previous auditor having had a preference for the old form, the modified cash basis; you have a preference based on the public, the—

Mr Peters: PSAAB.

Mr Sutherland: PSAAB, yes. But you can’t just change the accounts of an over \$50-billion corporation overnight, and we appreciate the comments on the work that it took for the Ministry of Finance officials to work with your office to have that done.

I would certainly hope that this committee, besides looking at the specific areas here in the auditor’s report, will go back to this issue of the Audit Act. I think it needs to be done based on a couple of the sections that you highlight: when you talk about grants to public hospitals and the issue of some of the hospitals transferring operating surpluses over to their foundation funds and where the authority for the hospital to make that decision comes from and where the accountability is for those types of dollars; the information regarding the municipal subsidies and how money that everyone under the basis is given for construction and capital purposes somehow goes over to operating for snow removal purposes, and where the authority comes for that.

I guess if you want to talk about accountability and your comments made earlier regarding a university, it would seem to me that wherever the provincial government is the primary funder of operations, over 50% of the operating budget, that for an organization to say, “Sorry, no, you can only look at the actual accounting records,” clearly tells me that the accountability systems haven’t

been set in place that all of us as legislators need. I think all those in those so-called communities, whether it’s the university community, the hospital community, the board of education community, people want to know that information.

It doesn’t matter who the government is. Provincial Auditor’s reports have always focused on, “What are the governments doing for their degree of accountability for the funds they are transferring?” and your report on this issue reflects about the ministries not tracking.

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I believe that process is important and those processes should be highlighted, but part of it too is these individual agencies making these decisions. I mean, 30% of the provincial budget is transfer payments to other agencies. That’s a significant amount of funds, and yet it appears clear from not only this report, your 1994 report, but the audits that have been done in the past on certain school boards, on hospitals etc, that the accountability mechanisms to the government for those funds need to be improved. Now, you can say let’s just do the ministry ones, but until you go in and actually have some ability to come up with a value-for-money audit in those individual agencies, it’s hard to prove.

I’m not a regular member of this committee, but I have sat in a few times and we’ve gone through the whole process on the universities, the Broadhurst task force, and how you determine accountability and how you determine value for money in an education system. Do you say, “This is the percentage of graduates of the people who entered,” therefore that’s how you do it? Do you determine it on how many of them get jobs afterwards etc? You’re not dealing with tangibles in the same way you are when you’re producing so many widgets. It’s a harder process, but it’s very clear to me that those processes have to be developed.

As I said earlier, when I see that operating funds were transferred not just into operating reserves but over to foundation accounts, which really are in effect set aside for ongoing types of capital projects, that concerns me. Everyone seems to be concerned, as they should be, about provincial deficit issues. Is that an appropriate thing for them to be doing? What authority is there established, either through the Public Hospitals Act etc, for making those types of decisions?

I will tell you too that I happened to sit in on the one day of hearings that occurred in my region when we were reviewing the Public Hospitals Act. If we feel there’s more necessity for value-for-money audits, I think that one day of hearings that I sat in—and there were hearings all across the province—gave me a clear indication that there are many people in the community who felt the activities of certain hospitals, and I don’t want to make a blanket statement of all of them, but some of them, were very, very difficult to achieve information on in their own community.

We had one reporter who had covered hospitals for a long, long time and he couldn’t go to cover a hospital meeting; he couldn’t get any information to him. He was very concerned about how secretive this one specific hospital was. The hospital commented later, “Well, we

have opened up our procedures since then.” But I think we have a responsibility, government has a responsibility, to be accountable for all the funds and make sure there are those mechanisms that you talk about, some form of measurement on the ministry’s behalf to ensure a degree of accountability and value for money. But when we’re transferring 30%—

Mr Peters: Fifty-eight per cent.

Mr Sutherland: Okay. I guess 30% then is probably the MUSH sector.

Mr Peters: It’s \$30 billion of \$54 billion.

Mr Sutherland: Okay. Well, when we’re transferring those many funds, and particularly again when we’re the main funder on operation grants, more than 50%, it would seem to me we not only have a right but an obligation to ensure that those moneys are somehow measured against the value-for-money process. I know in my community, every local agency tells me they’re doing a wonderful job, and it’s true in every community.

The worst thing I think any elected politician can do is go against some of the long-established community-supported institutions: hospitals etc. Everybody loves their local hospital, and that’s great that they have the strong community support. I guess in their own sense they may be doing a very good job, but we don’t know that for sure other than people just saying that and people looking well at the auditor’s report, and of course we know what most of the local auditor’s reports do. They’re the records the university wants to provide for you. “Can you account for all your expenditures?” “Yes, we have the receipts to account for all those expenditures.” There’s no fraud going on, no misappropriation of funds going on in that way.

I would certainly encourage this committee to continue with that, to have those types of hearings, because I know there are a lot of organizations interested. I know there’s been some talk of which organizations should come in, but I know a lot of the employee organizations or unions represented there would probably want to participate in those types of hearings too, to say these are the types of accountability processes that should be going on.

Mr Peters: Thank you very much for those comments. If I may, on the accountability, certainly you have no argument from me. However, I would like to express my concern that the change to the new accounting rules was not a whim of mine.

Mr Sutherland: Oh, sorry. I didn’t mean to imply that. It’s just a different preference. It’s clear that you had a different view than the previous auditor, based on different issues.

Mr Peters: Also, though, what had happened is that PSAAB, the Public Sector Accounting and Auditing Board, had in the term of my predecessor certainly not advanced as far as it has now.

Mr Sutherland: Okay. Fair enough.

Mr Peters: The second part is that the other governments in Canada had gone a long way in that time, and those were the people we were competing with in the market for funds. So I felt it was really necessary for the province to be on a competitive basis for debt when it

went into the market, because we were suffering in comparison to the other provinces when we had to raise money. The pension fund, for example, is still an issue in many provinces, but we are now way ahead.

The Acting Chair: The 10-minute rotation has now been completed. We have a choice, I guess, if we want to continue on with another five minutes apiece or if the committee now wants to set some direction.

Mr Tim Murphy (St George-St David): I think probably there would be some utility in at least discussing how we’re going to schedule, frankly, what little time we are going to have left in the committee before the House rises—I think probably only one, maybe two more sittings of the committee—and then what we’d like to have approval from the House leaders for for sitting subsequently, once the House has risen, and what we need to do to get that approval. Perhaps the way to open it would be for me to move a motion and then we could use that as the basis for discussion.

What I would propose is that next week, if that’s possible, depending on the availability of the Finance people, we have them come in to discuss some of the auditor’s comments on the books of the province—

Interjection.

Mr David Johnson: He’s making a motion.

Mr Murphy: —and perhaps the week after, if appropriate. Then subsequently, I think we should spend some significant number of hours getting the Jobs Ontario people in here. I would ask for approval for that for the intersession.

The Acting Chair: Is that part of your motion?

Mr Murphy: Yes.

The Acting Chair: You’ve made a motion in those two parts.

Mr Murphy: A two-part motion: First is to spend the next two sessions of the committee with the Finance department, and then subsequently I think we should have, I don’t know, two or three days with the Jobs Ontario people. That’s my motion.

Mr David Johnson: Could I just ask a question pertaining to the motion? How many official days—Mr Murphy said there were one or two or three; he wasn’t sure. How many days are there left of this committee?

The Acting Chair: Three more.

Mr David Johnson: Three more after this?

The Acting Chair: According to the current schedule, yes.

Mr David Johnson: So that motion could be accommodated, then, with one day on the accounting procedures and two days on Jobs Ontario. Is that the way that—

Mr Murphy: Well, I don’t—

The Acting Chair: I’d like to have some order to the debate on this. You’ve kind of asked the question.

Mr Murphy: I think that’s up to the mover, if I can just clarify the motion.

The Acting Chair: Quickly.

Mr Murphy: I think probably the Finance people will

take—I think it really is a question of hours, so if we have three sessions, that's six hours. I frankly think the Finance department alone could take up four hours of that. I think the Jobs Ontario stuff, for explanation, could take eight to 10 hours of committee sitting time, and we don't know whether Finance could even be ready for next week, for example. So my proposal is to have at least four hours for Finance and then 10 hours for Jobs Ontario.

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Mr O'Connor: I appreciate the motion by our visiting colleague today for discussion. This committee has certainly had a great deal of debate around the Audit Act. While I appreciate the intention of his motion trying to set the committee's agenda for the next period of time, I think that one thing this committee has certainly had on its agenda, and I think really does need to take place, is a good discussion on the Audit Act and to hopefully get that through a hearing process and through the Legislature.

I appreciate where you're coming from. I would recommend that, yes, we maybe bring in people from the Ministry of Finance to have a discussion, follow-up to what we've heard today, but I would recommend that we put some time, effort and energy into the Audit Act, which is something that this committee has certainly been pushing for for a considerable length of time. In fact, I'd suggested we start the hearings this past summer, but it wasn't accepted at that point by the committee because we had some ongoing work.

I think we're now at the stage where we could probably move into the work of the Audit Act, and I would suggest that should be part of the ongoing agenda of this committee.

The Acting Chair: So you're opposed?

Mr O'Connor: Yes.

The Acting Chair: Anyone else?

Mr Sutherland: I would pick up on my colleague's comments and suggest that maybe what we could do for the next three weeks is have the Finance people come in next week for a couple of hours of discussion about the general issues and then start into the issue of hearings on the Audit Act and having the groups come in. No one can say for sure, once we've had the hearings, what the process may be for getting on that. But I think even the sense of going through those hearings and having the different organizations come in and get a sense of the issues the committee is concerned about and what they're looking at would hopefully send a good message to these organizations, if some of them haven't received the message already, that there are some issues of concern about what the role of the auditor should be and how we, as the public accounts committee in the Legislature, feel the accountability should be for moneys transferred to these organizations.

The Acting Chair: So you're in favour of part 1 but opposed to part 2?

Mr Sutherland: Well, I'm kind of putting a counterproposal.

The Acting Chair: I was just trying to keep count.

Mr Phillips: Firstly, it's absolutely imperative that we get the financial officials in to discuss the recommendations of the Provincial Auditor. If they are planning to proceed with almost \$2.5 billion worth of transactions, that we know if they proceed the way they've got them in the budget, the auditor will require them to be changed, so that's absolutely imperative.

I would hope this committee is totally in favour of getting the 1995-96 budget prepared on a basis that, to use the auditor's expression, reflects financial reality. If we don't push on that, we are once again going to have a budget presented which is our key financial document—technically a book, but the budget is our key financial document. So those two things are imperative to be pushing, in my opinion, and all parties, at least all members of this committee, I think should be pushing.

Then it seems to me the auditor has said, listen, he wants to see something happen on the recommendations. He's pleased about what appears to be happening on the water front, on the clean water area. I think a way to make things happen in other areas is to take some of these issues in his report and to spend some time following up. If we don't, then the auditor's report means nothing. It's sort of just, "Oh, well," it's a one-day thing and it's gone, so that people who are accountable for programs—we kind of defang the auditor's report. If we want to make the auditor's report meaningful, I think we have an obligation to follow up on several areas. Jobs Ontario is one of them.

The Acting Chair: Any further discussion on Mr Murphy's—

Mr Peters: May I make a very brief point on the water front? We don't know what action has taken place. The attention that we are paying to it will hopefully cause action. I don't know what action is actually being taken. I just wanted to clarify the record.

Mr David Johnson: It seems to me that the important items out of this are certainly the financial and the accounting items that the auditor has raised right off the top and I think there seems to be general consent that we should discuss them, so perhaps I won't say anything more about that. That would deserve at least a day. The Jobs Ontario question is one that has been raised very prominently and we believe there should be time allocated to that.

The question with regard to the Ministry of Environment and Energy—I think the auditor has indicated that, "Thank heavens the debate is starting on that," but from where I sit, this committee would be a good vehicle to carry on the debate that the auditor has indicated he's so happy to see starting.

In addition to that, there are a number of issues we haven't dealt with in any depth today with regard to the Ministry of Community and Social Services that the auditor has raised very prominently in the report and I would suggest that deserves some time.

Finally, there have been discussions with regard to the Audit Act and the ability of the auditor to extend his audit to universities, municipalities etc etc.

I think what's required, frankly, is that we occupy the

three days left in this session, and some time, to do a thorough job, should be allocated in the intersession, if that's the proper terminology. I'm not sure if Mr Murphy's motion allows for that or not, but—

Mr O'Connor: Actually, usually it comes to the subcommittee. As members come in and bring issues forward, the subcommittee usually deals with a lot of those recommendations.

Mr David Johnson: I would suggest we start with the accounting procedures next week and then set up some sort of a schedule that through the remaining two meetings of this committee this year permits discussion of these other items plus, since there won't be enough time to finish them, allocate some time during the intersession, perhaps another couple of weeks. Is that the kind of thing that would normally happen?

The Acting Chair: We'll have to finish it in another manner. This motion, as it was put, doesn't specifically say that.

Mr Murphy: I want to speak to that if I can. Until, in fact, Mr Chair, you were elected, I was a regular member of this committee. Perhaps the way to do it, because this has generally been a consensus committee, is to do it in two parts, so we can schedule the balance of the time that we have while we have full control of our schedule as a committee dealing with the Finance ministry people on budgetary matters. I think we can do it in subcommittee, or we might as well do it while we're here, using up the time we have in the next 15 minutes.

I would then say we should ask for two or three weeks from House leaders to do as we did previously, I think it was in the summer, was it, or—

Mr Peters: We did it in January as well.

Mr Murphy: That's right, the last time we sat, in January last year, we had actually quite good sessions. I think we had the Solicitor General people in on last year's report, as well as some of the Education people, and I think we could do a similar kind of thing here; we could have some time on the Audit Act in that period of time, for example, some time on Jobs Ontario and the other recommendations of Mr Johnson.

Why don't I split it up into two parts, or perhaps just make two separate motions: first, that for the balance of three weeks, the six hours that we have, we dedicate to getting the Finance officials in. I'll make that motion alone.

The Acting Chair: So you've at least separated—

Mr Murphy: I'm just making two motions. My first motion, then, is that the balance of the time we have in this committee until we rise is dedicated to having the Finance officials in and discussing the recommendations of the auditor and the Finance department's response to them: motion 1.

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The Acting Chair: I'd like not to make that a new motion that we can debate around the table again, but it's kind of up to you guys—

Mr Murphy: I think it's worth hearing a response.

Mr Sutherland: I certainly think it's appropriate to

have the Ministry of Finance in to discuss some of the issues the auditor has raised and some of the compliments the auditor has given for the change in the books, and the work that was done to do that, and certainly have no problem doing that next week for a couple of hours.

Beyond that I think it is imperative that we get on with some of the hearings regarding the Audit Act and make that a priority. I'm not clear on all the history, but my sense of what has occurred is that the process is that a commitment's made, "Yes, we're going to do that." I understand we have all the goodies, we have all the good issues and goodies in the auditor's report.

That certainly does merit more examination, but it seems to me what the process is, the Audit Act comes up as an issue, the auditor's report is there, no, we've got to go through all those issues and then we get to the crunch—well, we're almost around to the auditor's next report and we don't get into the Audit Act and I think the Audit Act issue has been delayed far enough in terms of hearings that it really should become the next priority issue.

Mr Murphy: We can be the committee to which the Audit Act reform bill is referred after you guys introduce it and we pass it on second reading.

Mr Sutherland: With all due respect, I do not believe that is the history—

Mr Murphy: Just a suggestion.

Mr Sutherland: —of how the Audit Act is reformed, and would not be in keeping with some of the traditions of this place, of how you would do that with one of our independent officers of the assembly.

Mr Murphy: In any event, why don't we do this, if I can pick up on up on your earlier suggestion, Kimble, that we refer to a subcommittee meeting, to be had before the committee meets next Thursday, the issue of intersession work including what would be on it, the Audit Act, Jobs Ontario etc, and it can be decided in subcommittee and we'll just deal with the issue, the motion that I made about scheduling the balance of the time that we have rather than do it in here, so that the motion for the balance of the time is the Finance matters.

Mr Sutherland: Of the next three weeks?

Mr Murphy: Yes.

Mr O'Connor: As the usual process of this committee goes, one of usually a sense of cooperation, we don't even have to go to such a formal extent as my colleague who's joined us today has presented to us. Usually we can agree to moving what the business would be of the next week if we haven't got a laid-out agenda, and it appears at this point then that we are being rather fluid as far as the proceedings of the committee goes. I'd suggest that we would encourage and invite the people from the Ministry of Finance to come to our next hearings and stop it at that point and allow the subcommittee to take a look at some recommendations that are made by every caucus as to how the remainder of the time shall be dealt with.

From now through to the end of the intersession and to the intersession and during that period as well, there certainly has been for the regular committee members an

interest to proceed with some hearings to actually start dealing with the Audit Act.

I appreciate my colleague coming and trying to help us organize our time in a more seemingly different fashion that would probably be more suitable to his liking, but for the continuity of the committee I'd suggest that maybe we bring in Finance people and leave some of the work that planning for the future needs to take place to the subcommittee.

The Acting Chair: Mr O'Connor, as to the fluidity of the committee, the verbiage is fluid but I'm sorry if you haven't agreed with the way the Chair has handled this, but I think we'll get to the end that we want to get to.

Mr O'Connor: No reflection on the Chair at all, Mr Crozier.

The Acting Chair: I don't know who else would control the fluidity then.

In any event, we do have a motion. Are you ready to deal with it or would Mr Murphy want to withdraw it and go your way? It's your choice. Question? No?

Mr Phillips: Comment?

The Acting Chair: I think it's time we dealt with the motion, that's all.

Mr Phillips: I was trying to be helpful.

The Acting Chair: Okay. Well, be helpful. We've got five more minutes.

Mr Phillips: There may be a consensus, which is:

let's invite the Finance people here for next week, let the subcommittee meet and think about this and blah, blah, blah, and if there is that consensus—I'm not even sure what the motion now says. It may not—

The Acting Chair: The motion now says: "That officials in the Ministry of Finance be called to address the Provincial Auditor's report as it concerns the government accounting methods."

Mr Phillips: I think that's fine then.

The Acting Chair: As to time, the subcommittee can deal with that.

Mr Phillips: I'm glad I asked the question.

Mr Sutherland: The subcommittee will come back for ratification here?

Mr Murphy: That's fine.

Mr Sutherland: Mr Chair, the motion is simply to have Ministry of Finance come to comment on the auditor's comments on government accounting.

The Acting Chair: I was even going to suggest, to keep with tradition, that we just simply have consensus on that.

Mr Murphy: Sure. That's fine.

The Acting Chair: Is our business concluded? When would you like the subcommittee to meet? Monday afternoon following question period? We don't have anybody here that's on it, so we'll say yes, okay?

The committee adjourned at 1157.

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

Chair / Président: Cordiano, Joseph (Lawrence L)

***Vice-Chair / Vice-Présidente:** Poole, Dianne (Eglinton L)

***Acting Chair / Président suppléant:** Crozier, Bruce (Essex South)

Bisson, Gilles (Cochrane South/-Sud ND)

Callahan, Robert V. (Brampton South/-Sud L)

***Frankford, Robert** (Scarborough East/-Est ND)

Marchese, Rosario (Fort York ND)

Marland, Margaret (Mississauga South/-Sud PC)

***Martel, Shelley,** (Sudbury East/-Est ND)

***O'Connor, Larry** (Durham-York ND)

***Perruzza, Anthony** (Downsview ND)

Tilson, David (Dufferin-Peel PC)

**In attendance / présents*

Substitutions present / Membres remplaçants présents:

Curling, Alvin (Scarborough North/-Nord L) for Mr Callahan

Johnson, David (Don Mills PC) for Mr Tilson

Mammoliti, George (Yorkview ND) for Mr Marchese

Murphy, Tim (St George-St David L) for Ms Poole

Phillips, Gerry (Scarborough-Agincourt L) for Mr Cordiano

Sutherland, Kimble (Oxford ND) for Mr Bisson

Clerk / Greffier: Decker, Todd

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service



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**Standing committee on
public accounts**

1994 annual report,
Provincial Auditor

Ministry of Finance

Chair: Joseph Cordiano
Clerk: Todd Decker

Journal des débats (Hansard)

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 24 November 1994

Jeudi 24 novembre 1994

The committee met at 1012 in committee room 1.

The Chair (Mr Joseph Cordiano): Good morning, members of the standing committee on public accounts. On our agenda today we have the Ministry of Finance before us.

Before we move on to the agenda item, we have two notices of motion from Mr Callahan. Mr Callahan would like to put these notices of motion on the record. If you would like to read these into the record, we can proceed with the remainder of the agenda for this morning.

VISION AND HEARING TESTS

Mr Robert V. Callahan (Brampton South): Thank you very much, Mr Chair. You each have a copy of the two notices of motion before you, which will assist you in reading along with me.

The first notice of motion is moved by myself.

"Whereas Ministry of Health funding—through public health departments—for hearing and vision 'problem' screening in schools, day care centres and clinics will be rescinded effective January 1, 1995;

"And whereas a recent submission by Dr W.A. Hurst to the public accounts committee has shown that certain visual impairments are often exhibited in those who are learning-disabled;

"And whereas learning disabilities contribute significantly to delinquency as it has been shown that 80% of young offenders are learning-disabled;

"And whereas the test required to identify the visual condition that is often associated with learning disability can be conducted simply and inexpensively;

"Be it therefore resolved that the public accounts committee of the Ontario Legislature recommend to the Ministry of Health that public health departments be encouraged to reinstate the vision and hearing tests referred to above."

COURT SYSTEM

Mr Callahan: The second notice of motion is again moved by myself.

"Whereas some 50,000 cases, after the Askov decision, had to be stayed or withdrawn due to the delay in the Ontario court system;

"And whereas it appears that this situation may arise once again;

"Therefore be it resolved that the auditor be directed under section 17 of the Audit Act to conduct an investigation as to the current status of cases before the Provincial, Family and General Division courts of Ontario both criminal and civil having due regard for the following:

"(1) Initial date proceedings commenced;

"(2) Number of adjournments;

"(3) Number of pretrial motions;

"(4) Date trial is to be held;

"(5) Number of criminal cases that have or will reach their second-year anniversary before being heard;

"(6) Such further and other information as may affect the expeditious use of judicial resources."

Very quickly, if I could, just one comment on that second motion. We've heard questions in the House, we've heard responses from the Attorney General and I have some very severe concerns with the responses the Attorney General is giving. I'm not suggesting for one minute that she's not being candid, but I think she's not got the right facts. I've been in touch with—

The Chair: Mr Callahan, thank you very much. We can debate these motions next week.

1994 ANNUAL REPORT, PROVINCIAL AUDITOR

MINISTRY OF FINANCE

The Chair: We will now move on to the agenda item. We have officials from the Ministry of Finance. Mr Robert Siddall, I believe, is here. Would you identify the other persons who are with you and we can proceed.

Mr Jay Kaufman: Perhaps I could introduce myself and the individuals who are with me. I'm Jay Kaufman, the Deputy Minister of Finance and secretary of treasury board. With me are Bob Christie, who is the associate secretary of treasury board and the provincial controller, and has had a great deal to do with the public accounts and working through the new public accounts system; Rob Siddall, who is the director of the financial information branch in the controller's office; and Barbara Stewart from treasury board, who is the director of the capital and crown corporations branch chair.

If I might, what I would like to do is say a few things by way of introduction. Essentially, we're available to committee members for questions. At the outset, I want to thank you for the invitation to come before the committee and speak on the issue of a new public accounts system that we have put in place in conjunction with the Provincial Auditor. We discussed this issue last year, and I want to begin by referring to the starting point for this exercise, but also indicate an appreciation to the committee for signalling to us some of the issues you did want to touch on in the auditor's report.

Last October, in response to the Provincial Auditor's recommendations, the Minister of Finance made a commitment to move towards the adoption of the Public

Sector Accounting and Auditing Board recommendations in the public accounts for the year ending March 31, 1994.

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What we indicated to you at that time last year was that the way in which this could be accomplished was by taking a snapshot, at the end of March 31, 1994, of the accrual and consolidation position of the province at that point in time, that we would be reporting information at this one point in time, and a complete shift to a new system for the in-year reporting information, the second-quarter finances type of thing that you're very used to seeing. The adoption of this accounting methodology with respect to the budget and estimates would be very difficult for us, not the least because it would require an entire new system of financial management which had very substantial costs and clearly had substantial time frames associated with it. So we were trying to be very clear about what we thought we could accomplish for this year.

Secondly, I think we were also clear that there were a number of very difficult issues that we thought would arise in the shift to the PSAAB accrual and consolidation methodology, in particular highlighting the problem of capital. As we'll get into in more depth, this continues to be obviously an issue with respect to both the current way we're dealing with capital as well as under the new accrual and consolidation methodology.

The results of the efforts of this past year obviously are satisfying. Clearly, from our point of view, we're pleased to have received from the Provincial Auditor a clean opinion, and satisfying from another respect in that this undertaking—and Erik in his report has really emphasized this point as well—was a very, very substantial effort on behalf of the Ministry of Finance and the Provincial Auditor and the Provincial Auditor's staff. I really do want to stress to the committee the enormity of the undertaking and what staff from both the ministry and the Provincial Auditor have accomplished in order to in fact deliver on the public accounts on this due basis in October. Then everyone, in particular Erik and Bob Christie, who've led this exercise, are to be strongly commended. It's a difficult task, an enormous task and it involved working through some very, very difficult issues in order to produce the results.

In the financial report that we issued and also acknowledged by the Provincial Auditor, as I said, there remain, particularly in the area of capital, issues to be addressed. We have tried to signal that last year, and the whole problem of how physical assets, capital assets, infrastructure and investing in infrastructure are to be treated remains a difficult and outstanding issue, I think, for all parties.

In 1990, the government laid out a new direction with respect to capital investments, I think it's fair to say, that new policy derive from a concern on the part of the government to maintain investments in infrastructure throughout the recession despite difficult financial circumstances and a frustration both with the way in which capital was being dealt with as a one-time write-off, as a capital expense in the year it was being spent, and how that was reflected in a current account fashion

in the accounts.

In that policy, the government clearly signalled the desire to separate the capital spending and the way in which capital spending is treated from the operating account, clearly attempting to indicate that debt associated with current account deficits is qualitatively different from investments and debt associated with investments in physical infrastructure.

As a result of that, there was, as you well know, the creation of a set of crown corporations referred to as capital corporations—the Ontario Clean Water Agency, the Ontario Transportation Capital Corp, the Ontario Realty Corp—all intended to approach capital in a different way and to utilize opportunities through the creation of crown corporations for alternative financing mechanisms in order to access financing more effectively and in a more diversified way than was currently the practice, and as well, to try and make the capital budgeting process far more strategic.

In terms of the accounting issues around this question of capital and infrastructure, an attempt to shift from, as I say, this one-time expending of capital to a recognition that capital has a life to it—it provides benefits to people over a period of time—and to attempt to account for that capital on a current account basis through capitalization, amortization of capital costs and reflecting that in the operating side through the principal and interest repayment, that clearly has been the framework and the policy objectives which have guided the way in which we have dealt with these issues.

It's quite fair to say that both in respect to the way in which we're treating capital, through the modified cash accounting methodology as well as in the new PSAAB formulation, generally speaking we, and I would suggest many others, are not satisfied that we have got this issue properly resolved.

Certainly other provinces, the federal government, the accounting and auditing profession itself are grappling with this. Just to make a point, provinces across the country have been shifting gradually to the PSAAB form and are experiencing many of the same difficulties that we are in terms of dealing with capital, the creation of new agencies and the relationship and the financial transactions between those agencies. PSAAB itself has put in place a task force to try and work through some of these questions in a way which hopefully will be satisfactory, and we in our report, and again acknowledged I think by Erik in his, have a continuing job to do here between the ministry and the Provincial Auditor and continue to discuss it, trying to resolve issues around the question of capital and the related issue of agencies and the consolidation and the transactions that exist between those agencies.

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In the report itself, there were three particular transactions that were flagged as of concern that people wanted to talk about: the GO Transit refinancing, the sale of properties to the Ontario Realty Corp and loan-based financing to the universities, schools and hospitals sector, USH.

At the outset, these issues deal with the questions I've been flagging which are continuing issues, but I want to emphasize with respect to each initiative that they flow pretty directly from the policy objectives the government has set, and each in its own way I think is a sound initiative.

If we look at the GO Transit refinancing question, that particular initiative was an opportunity to find alternative and cheaper ways of financing assets. It was our first attempt at this kind of approach. It opened up access to new sources of financing which we were not able to secure before. Through a dividend transaction between GO and the consolidated revenue fund, we were able to receive, as a result of that, over \$400 million in revenues in the year. In terms of an approach and a result, it clearly had benefits for the province's finances, and also in terms of accessing new sources of capital.

With respect to the realty corporation, you've heard a lot about the realty corporation from others. In the last year, I went about trying to emphasize the importance of the realty corporation as a new approach to effectively managing government realty assets. It's noteworthy, for example, that the federal auditor has raised concerns at the federal level about the efficient management of realty assets. This is an area where we felt that in terms of approaches to capital but also in terms of our existing assets they both could be managed more effectively, on a more businesslike basis and in terms of optimizing their value.

One of the areas of concern, something that bedevilled us, is the whole question that in the public accounts these assets in fact have no recognized value. So, in terms of the types of transactions that we've attempted to execute, we are recognizing the market value of these land and realty assets and putting in, in terms of a new charge system, an incentive methodology to try and produce savings, economize on space and manage the disposition of those assets in an effective way once they become surplus.

With respect to the USH sector loans—that is, loans for hospitals, schools and universities—this goes to the essence of the issue of trying to recognize capital in a different fashion and using loans-based financing as a way of accounting for the life of these assets and, on a current account basis, through the operating account, and through principal and interest payment, recognizing what the current account costs of those are in order that the public and you are able to more directly appreciate what the current implications of those are and how those really relate to the question of the deficit. I would emphasize that in doing this transaction it was very important for us and the sectors involved to agree that there should be no incremental costs as a result of this restructuring of the way in which we want to do capital with respect to the USH sector. Those are three transactions that have been raised.

The other issue has to do with the question of the budget presentation. I should say that with respect to this year there are, as you know, similar transactions that were announced in the Finance minister's budget plan. We clearly will continue to execute those commitments

and report those in relation to the budget as planned, so that you and the Legislature and the public can clearly see what the government has committed itself to in its budget and how it has performed in relation to those commitments. We will be, as I say, completing those initiatives that were announced previously.

The question that's been raised has to do with the desire to see the budget presentation in a fashion which resembles the methodology of accrual and consolidation. It's important to emphasize that the budget for the province represents the government's policy and financial plans and really speaks directly to the question of the consolidated revenue fund, and that the public accounts clearly, through the process of consolidation, speak to a wider array of budgetary financial issues.

The question, as I've said, around which there is a difference relates to the types of transactions around capital and their relationship to agencies. It's the intention, as the Minister of Finance has indicated, to continue with the current practice of reporting the budget based on the modified cash basis of accounting. He has also recognized that we are in a transition situation and that we need to work and continue to work in a way which begins to try and bring these two systems together.

But in order to do that, we've got to find solutions to these issues we've raised. We've committed, as I said at the outset, to work with the Provincial Auditor on a continuing basis to try and bridge those issues. All of these transactions have been, from day one, fully revealed in the budget, and these types of transactions will continue to be fully disclosed in the budget.

It's also important to indicate that in response to the Provincial Auditor's concerns the minister has also indicated to the Provincial Auditor that we will provide a comparison, as best we can, with the budget on the accrual and consolidation methodology. We will, while continuing with our current practice, also provide, as I say, a comparison with last year. We will attempt to do that both for our financial experience in 1994-95 as well as looking forward into the next year. There are people here who are better able to explain the intricacies of this than I am.

That will represent some continuing challenges to try and produce those comparisons because, as I said earlier, the way in which we're able to get this information necessary for the financial statements on this new methodology is through a snapshot method, and so there's some difficulty in getting a firm understanding as to exactly what the estimates are likely to be on a variety of the items that would go into that kind of comparison. It's not a simple and straightforward task, but certainly, with the two systems in place we do need to provide a bridge. As the Minister of Finance has indicated to the Provincial Auditor, we will be doing that.

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That really represents my opening comments. As I said, I've tried to be clear, starting with last year, on what I thought we could accomplish, what the outstanding issues were likely to be. We've tried to work through it and I think we've made progress on those issues over the year. The remaining issues relate principally to capital

and the way in which the transactions related to crown corporations are, through the process of consolidation, being dealt with. As a ministry, we're committed to working actively with the Provincial Auditor and his staff to try to address and resolve many of these outstanding issues.

I will simply indicate, in conclusion, that the budget, as the Minister of Finance has indicated, will be presented in a way consistent with the practice of this year and last year and that there will be in the budget documents a comparison using the PSAAB accrual and consolidation formulation.

The Chair: Thank you very much. Mr Peters would like to make a comment, an opening statement, and then we'll move on to questions by members.

Mr Erik Peters: Thank you, Mr Chairman. I won't be long.

The motion passed by the committee last week requested that "the Ministry of Finance be called to address the Provincial Auditor's report as it concerns the government accounting methods." Therefore, I thought it might be helpful if I made a brief statement to review with the committee what these concerns are and, equally importantly, what they're not.

These concerns are about financial reality and not about differences in accounting rules. As urged by me last year, the province's financial statements for the year ended March 31, 1994, have been prepared in accordance with standards for good practice in accounting and financial reporting by governments in Canada. My audit opinion on these statements is clear of qualifications or reservations.

My urging to adopt the new accounting rules was not based on a whim or on my personal preference as Provincial Auditor. I urged the adoption of the new, more prescriptive accounting rules for the following reasons:

These rules were now available and were being used by financial analysts, rating agencies and investors in Ontario securities.

These rules were used by the other Canadian governments to a far greater extent, or had been, than they were used in Ontario.

Ontario was considered to have fallen behind the other Canadian governments in meeting these accounting and financial standards.

Legislators and taxpayers in Ontario were receiving significantly different financial information from that used by financial analysts, rating agencies and investors.

Ontario needed to better compete for investors' funds.

The adoption of the accounting recommendations of the Public Sector Accounting and Auditing Board, PSAAB, of the Canadian Institute of Chartered Accountants by the Ministry of Finance was a significant and very positive step and has resulted in improved financial reporting in the public accounts of the province of Ontario.

I'd like to take this opportunity, now that we have the Ministry of Finance officials with us today, to reiterate the comments I made last week concerning the tremen-

dous effort made by the Ministry of Finance—and by my own staff, for that matter—to implement such massive change. As the Minister of Finance noted in a recent letter to me, "It was an accomplishment of which we can all be proud." I certainly echo his thoughts and would like to take this opportunity to express my appreciation to the ministry officials here with us today and to all of those who worked in the trenches for their hard work and the cooperation provided to my office during this massive undertaking.

However, while the audited financial statements of the province now provide more realistic financial information to decision-makers, as I indicated in my annual report, I'm concerned with the way certain transactions totalling \$1.6 billion were presented in the actual unaudited deficit as reported in the budget and in the Ministry of Finance's Ontario Finances publication.

Quite frankly, the financial statements of the province show a more financially realistic deficit than the one presented to the Legislature in the budget. At a time when tough decisions have to be made by the Legislature, its members and therefore the taxpayers, it is imperative that we all have a clearer picture on where the province has been financially and where it is going. There, certainly, I should add that the Minister of Finance has stated in the House that the reconciliation—the deputy minister has just reiterated that commitment. That is a tremendous step in the right direction, so we appreciate that.

In my annual report, and in a handout which I will give you in a minute, I outline three types of transactions, totalling about \$1.6 billion, which were not included in the 1993-94 CRF unaudited deficit reported with the budget to the Legislature in May 1994. Reporting the financial reality of these transactions did not depend on the application of any accounting rules; it depended on reporting these transactions in their financial reality rather than in their budgeted form.

In my report, I also noted that according to the 1994 budget, similar transactions exceeding \$2 billion are planned for the 1994-95 fiscal year. I urge the government to prepare a reconciliation of the CRF unaudited interim actual results reported in the budget with the results as they would be reported in their financial reality. As we just heard, there is a commitment to do so, but I will talk about that in detail in a moment.

Commencing with the 1995-96 fiscal year, I also strongly advocated that the government adopt the same accounting policies for the budget as I use in reporting the actual results in the province's financial statements.

With this and the previous discussion of this committee in mind, I've prepared a one-page handout detailing the \$1.6 billion and the \$2 billion which I will distribute. If the committee wishes, I'll take a few minutes to walk you through this.

The Chair: Does everyone have a copy?

Mr Peters: I think everybody has a copy of this at the moment.

Maybe by way of a brief preface on comments that the Deputy Minister of Finance has just made, in the area of capital there are essentially three issues that have to be

addressed.

Firstly, there is direct capital; that is, infrastructure—buildings or anything in brick and mortar with a future value—that is constructed or built or acquired directly by the province. On that, I fully agree with the deputy minister that the rules are out. All governments are grappling with this issue at the moment as to how to deal with this particular issue.

However, on the two other capital areas mentioned, the rules are very clear. As far as capital grants are concerned, PSAAB has ruled, and the profession has accepted, that capital grants are grants, are grants, are grants. They are expenditures of the government when they are made.

In order to get out of this, we are recommending—and we will certainly cooperate as best we can; we're happy to do that, Jay—that appropriate, auditable business practices, systems and procedures be established to properly manage such things as existence, ownership, valuation, amortization rates and similar matters. We are happy to cooperate on this. But the current rule is that if it is a capital grant, it is an expenditure. Those are rules that have come out quite some time ago actually, a few years ago.

The other aspect on capital is structuring capital expenditures through loans, and that is the first item you find on the handout. Again, the Canadian Institute of Chartered Accountants has not only ruled generically, it has ruled specifically, that the loan-based financing given to these organizations through the capital investment corporations established under Bill 17 by the province of Ontario are grants to those recipients, and we see no reason why they should not be accounted for as grants by the government when it gives them.

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The financial reality of the situation, and this is why I talk about financial reality, is that none of these organizations has the financial wherewithal to repay these loans. It is a burden on the future parliaments when they vote the budget to give these organizations the money so they can repay the loans. That is the fundamental issue. The fundamental issue is not whether we account for them as capital or not as capital in these organizations, the fundamental issue is how they are being funded. When they are being made under the current rule of a grant is a grant, it is an expenditure of the government of the day that decides to give that money to the organization, because the only way they can ever pay it back is by Parliament getting together again and giving these organizations money to pay it back.

That is the first item, the \$932 million, and in the budget, as best we can put it together from pages 104 and 115 of the 1994 budget, that amounts to almost \$2 billion.

The second one, and I'm very grateful to you that in your comments you deal with the—sorry, I'm talking about the third item. The first is the sale and repurchase. I have told this committee that this is an innovative and imaginative way of borrowing, but it is borrowing; it is not revenue. It is not revenue to the government. It is an

imaginative, good way of incurring new debt, but it was accounted for in the original way as revenue.

There were agreements. They are already in the public accounts according to the public accounts, the accounts of GO Transit. There was a memorandum signed in December 1993 already in which the government had committed itself to repay this amount. Therefore, if you repay amounts, it's really not revenue. That was the third item.

The middle item, the transfer of government land and buildings, is essentially just that. It is a transfer of assets to another organization. I fully agree with the policy behind it, which is to better manage these assets, but the ultimate benefit to the government is strictly from the better management of these assets. That particular transfer did not result in one dollar of revenue being added to the coffers. In fact, the opposite took place.

A very deliberate decision was made, very clearly, to transfer what we call beneficial ownership, because if we had actually transferred real ownership and title had passed, there would be some very happy and very wealthy lawyers running around, because I think the estimates of the legal fees of those transactions were somewhat astounding. I think they exceeded somewhere around \$20 million. In fact, the government very wisely—the officials should be congratulated on their decision to go with the second alternative the lawyers provided, which was to do a transfer of beneficial ownership so that the management benefits could be realized. But for the accounts as a whole, for the public accounts, there was no revenue generated. They are future benefits.

These are essentially my comments. Thank you, Mr Chair.

The Chair: We will now proceed in rotation. I think it would be fair to split this up in 15-minute intervals and then see where we are at that point.

Mr Monte Kwinter (Wilson Heights): I'd like to just follow up on what the auditor had to say and ask the Deputy Minister of Finance some questions dealing with financial reality, and I want to concentrate on 1994-95.

In the report of the auditor, on page 2, he says, "Now that the preparation and presentation of the financial statements of the province for the year ended March 31, 1994, are on a more appropriate accounting basis, a clearer picture of the actual deficit for the year then ended and of the actual accumulated deficit and the public debt as of that date has emerged."

And the key point that he makes is:

"However, most of the key financial decisions by the legislators are based on the financial information presented in the budget which traditionally is presented for the upcoming year in the spring. While we do not and should not audit the budget, we believe significant improvements are required in presenting the actual interim unaudited results."

Mr Deputy, the concern I have is that I think the budget is not a document that is separate from what happens at public accounts. It's all part and parcel of informing the public, informing legislators of what is the financial reality, the state of the economics of the province.

I'd like to refer to page 1 of the statement that the

auditor made when he released his report: he said "At the time when decisions have to be made by the Legislature, its members and therefore the taxpayers must have a clear picture of where the province has been financially and where it is at." The other thing I thought was quite significant is that when he talked again in his statement preceding the presentation, he said that the deficit for March 31, 1994, reported in May 1994 with the budget, and in August 1994 in the quarterly Ontario Finances publication, differed significantly from their financial reality under any accounting rules.

I heard your statement saying, "Well, you know, in public accounts we have one type of accounting rule and then we have a separate set when we deal with the budget." He is saying we're not really talking about how you present it, we're saying it doesn't matter what rules you use; there is a significant difference in the financial reality of the situation as we find it. Maybe you could comment on that and then I would like to proceed a little further.

Mr Kaufman: Well, let me try and deal with it. The fiscal reality, to the extent that the kinds of transactions the Provincial Auditor has identified represent difficulties with the Provincial Auditor—those issues have been clearly presented in the budget, they were in the budget plan, they're fully disclosed and the rationale for why they have been structured in the way they've been structured is also presented.

In terms of those fiscal realities, I keep wanting to come back to the capital issue. The problem that we have identified for some considerable time and continue to identify as a continuing problem is the issue primarily of treatment of capital, trying to get a better distinction between what is a current account picture and what is a long-term picture with respect to the debt position of the province.

I suppose I take issue with the question of are we, through the budget, presenting fiscal reality. I think we are presenting fiscal reality through the budget, and all of the information that allows this piece of paper to be presented derives from the budget.

I think there is an honest set of issues that surround this whole question of capital. It may be the perception that a grant is a grant—it's also that a brick in a hospital and a brick in a water sewer plant do not have a discernable difference either and that we, as a province, are substantial financiers of that investment. The question of how we recognize that investment and how it's reflected in terms of what is the current account impact of that is clearly something which the government has signalled, and I think many people have signalled for a variety of reasons, that they are not satisfied with those kinds of results. In his comments Erik has flagged a variety of issues around ownership, around benefit, which I think are a source of need for ongoing discussion among us. It may be that it's possible to get some reconciliation on some of those issues. But I suppose I do take issue with the statement that the budget doesn't reflect fiscal reality. The fact is that all of the information is fully disclosed in that context and the budget attempts to provide a context and a policy rationale around the

way in which parts of it are being dealt with.

1100

If you take something like the GO deal—I'm not going to get into an accounting squabble because I'm not an accountant, but in terms of the way in which that was treated, in the absence of consolidation, that essentially was a dividend payment from a crown corporation to the CRF and it got recognized as revenue in a way consistent with the way in which dividend payments from other agencies of government had traditionally been recognized. There's no question as well that we also created through GO Transit a debt obligation which in fact we are standing behind and, on a current account basis, we are committed to pay the principal and interest repayments and those are reflected in the budget as an operating cost.

Quite frankly, in terms of the objectives that the government is trying to achieve in terms of dealing with capital, the GO Transit deal in fact accomplishes those in a fairly precise way. I think it does represent a statement of reality. No one is hiding the fact that GO now has debt obligations associated with that transaction. It surely does have debt obligations associated with that transaction.

Those are some comments. The key point I want to emphasize is that through a comparison in the budget with the PSAAB system, and I just put cautions on that, it's not going to be as easy as it sounds. There will be an opportunity to look at that fiscal reality or financial reality in the budget that's coming up, both in relation to what has transpired this year and into the future, so I think people can judge for themselves—it's a fairly fulsome set of numbers—what the fiscal reality of the province really is.

The Vice-Chair (Ms Dianne Poole): Mr Kwinter, before you continue, the auditor would like to make a comment.

Mr Peters: If I may, just on the GO Transit, I agree with you. What you have brought up is a very important other issue, and that is that the budget itself—you used the word "fiscal" and I think very advisedly. But the budget at the moment is a budgetary document that deals with the consolidated revenue fund alone. It does not deal with these outside organizations such as GO Transit or the capital investment corporation. This is one of the other issues that we are bringing in where we're advocating that these be brought into the budget, and I think the comment we have right now is it's not being done.

Having said that, though, I do have to raise with you the question of financial reality versus fiscal reality, and that is that indeed the consolidated revenue fund had made an agreement with GO Transit to pay back the debt. There is a memorandum of agreement that was signed by the Minister of Finance. There is no such transaction, for example, for the dividends that were received from the Ontario Lottery Corp or from the liquor control board. If I may explain that to you, and I see from the nodding that you may agree with me, the financial reality was that even for the consolidated revenue fund, that particular transaction was a debt and not revenue, based on the agreement signed before the year-end by the Minister of Finance. I just want to put this on the record.

Mr Kwinter: I think there's a fundamental problem in that I have always felt that the budget was a political document and the public finances and the reporting of the fiscal position of the government is an accounting document.

My concern is that we have a situation where the auditor today in his handout has introduced material that says that, in his opinion, there's \$2.3 billion worth of expenditures that have been incurred by the government that have to be attributed as debt, as opposed to loans or as opposed to off-book transactions. Somewhere along the line, as you have done in the 1993-94 budget adjustment, that is going to be acknowledged and, sometime way after the budget has been presented, there will be an admission by the Finance officials that, "Yes, we understated the financial situation of the province and we are going to adjust the current year's deficit by the \$1.8 billion, \$1.9 billion or \$2 billion," whatever the amount is, and that acknowledgement is made after the fact.

My concern is now that the auditor has pointed that out and it has been acknowledged by Finance officials that, "Yes, we accept the auditor's position and we are going to modify our reporting to do that, but we're not going to do it next year and we'll sort of wait until after we get over the political hurdle of the budget and then whenever we have to, when we get to the crunch, we will make that adjustment at that time."

That is the concern I have, and I don't want to in any way put words into the auditor's mouth, but I think that's what we're talking about when we talk about financial reality. If that is the situation, why not report it at the time you present the budget? The budget is a critical document, not in a financial sense in that it isn't the final accounting, but certainly the rating agencies, the investors, the people who look at this document—and they know the game, and they immediately discount the figures that are given out because they know what is happening.

Why shouldn't the taxpayer know and why shouldn't the people know that this in fact is the fiscal situation as contemplated? We understand that it's a roadmap, it's a prediction of what could happen in the next fiscal period, but there are certainly certain basic facts that the auditor has stated in his remarks today have been absolutely agreed to by the financial community and the accounting community, that a grant is a grant is a grant. There's no way you can doctor it to say that it isn't, so why not acknowledge it and report it that way?

Mr Kaufman: I think I've tried to answer the general point, and with respect to the question of the \$1.9 billion here, it's a combination of loans—Erik's calling them grants, we're calling them loans. The reason we're structuring them as loans—I'll try to explain precisely what the reality is that is fully disclosed in the budget. There's nothing being hidden. All the capital expenditures are laid out in detail. The number he's got here, for example, includes \$300 million for the 407. The 407 happens to be a project, an investment, which will be financed ultimately through tolls.

Not that we don't want to report the spending on the 407, but the treatment of this as debt is something we

simply at this juncture would never agree with. We really have to go through some of these issues. You have a capital project which is fully financed through toll revenues, and our assessment is that when we work through the rating agencies, this will be recognized as a non-recourse debt. The point I'm making here is that around this question of capital, the treatment of capital and how you're financing it, we've got to work through some of those issues, and getting an adequate resolution of what's a current account picture and what is a long-term debt-picture of the province been the objective.

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I'm not suggesting that what we're doing now is entirely satisfactory, but what we are trying to ensure, through the budget, is full disclosure and representation of all the transactions in the province. We have gone through various budgets to add more and more information in that regard so that you as legislators and the public are fully aware of all the transactions, and reasons for those, that are in the budget plan.

So, as I say, we have to work through some of these issues. It may be that we can in fact get to adequate resolutions on many of them, but at this juncture they're not resolved.

Dr Bob Christie: I think the other point, Mr Kwinter, that you mentioned had to do with the timing of the disclosure of some of the information that Mr Kaufman has spoken to. For purposes of clarity, when we mention that we have undertaken in the budget next year to provide a comparison of the budget basis to the modified accrual and consolidation basis, that will be provided both for the 1994 and 1995 results, the interim actual results for this year that the auditor has referred to in the first chapter of his report. The comparison will also be provided for the 1995-96 budget plan. So the budget documents will contain not only the disclosure that Jay has referred to on all of the individual transactions, but we will also assemble that into a comparison of the two bases of presenting the numbers, so there will be complete information disclosure and on both bases.

I think the timing difference that you're reflecting is a function of the fact that this year the conversion between the systems was made at public accounts time, which was largely a function of the amount of time it required to pull together some of these numbers. So we had a budget prepared on a particular basis and then a set of public accounts that came out six months later at the time of conversion. As we get into a full, complete cycle beginning next spring, we will be able to present that comparison on the two bases, and that is what has been indicated would be done.

The Vice-Chair: Mr Kwinter, I'm sorry, the time's expired, so we'll move on to the Conservative caucus and Mrs Marland.

Mrs Margaret Marland (Mississauga South): You know, I'm very concerned about what I'm hearing. Obviously, all of us sitting around this table as committee members are not necessarily financial whizzes—I certainly never pretend to be something that I'm not—but I'm here representing the ordinary person on the street. The ordinary person on the street in Ontario is entitled to

know how much governments spend, where they spend their money and account for it.

The worst thing that can happen to any government is a confirmation that in fact governments do play a shell game with the taxpayers' money. If we want to be in a position where that is avoided, then we can't have this kind of gobbledegook that's going on. Frankly, when I hear the auditor talking about the necessity to have the new accounting rules apply to everything in terms of giving the financial reality, we can't have the auditor stating those concerns and have you, in my opinion, continue to defend what it is you're doing.

Frankly, Mr Kaufman, you said a few moments ago, "I'm not saying that what we're doing now is entirely satisfactory." Well, I'm sorry, what you do should be entirely satisfactory, and it should come from a background of you accepting advice from the Provincial Auditor if it's not generated within your own ministry.

GO Transit is probably one of the easiest things for somebody with my background to understand, and I think it's fair enough to say that of the 130 members in our Legislature most of them do not have strong financial or accounting backgrounds. I don't apologize, by the way, for not being an expert, because I don't think that members have to be experts, because we count on the experts that are in the employment of government. We have an expert in the auditor, and we have an expert in you as the deputy in Finance.

If the auditor is saying that a capital grant is a burden on future parliaments, then we have to have a way of reporting that as a liability in the budget. You said also this morning that GO Transit now has debt obligations. Well, of course they do. So you have to ask the question, why would, in the short term, the decision be made, in the example of GO Transit, to sell the rolling stock? Sure, I think you said \$400 million in revenue from that sale, but now what you've done is put the future generations on the hook to repay, in fact, not only repay: Just in the pure operating expense of having to now lease this equipment, you've put that on the charge cards of my grandchildren, and I don't think that's the way to do business.

It's very funny that all three provincial governments—so this isn't a partisan comment—think it's very interesting that the city of Mississauga has \$350 million in its reserve fund, and this is a city now of around half a million people. The way that has happened in the city of Mississauga is because they haven't played with the taxpayers' money and they have never bought anything that they couldn't pay for at the time. So there is no debt in the city of Mississauga.

I realize that is unique; it's actually unique in North America. Not only is there no debt in that city, but they haven't increased the taxes in the last three years. I think if a person like Mayor McCallion and her team of councils over the last 15 years that she's been mayor have been able to achieve that, you have to look at the province and wonder why it is that we're playing this game of putting—we know why the crown corporations were organized: because it took that debt outside the consolidated revenue fund. But it doesn't make it right.

What I'm concerned about is, if we have the Provincial Auditor saying that capital grants are expenses of the current government, just as an example, how can you defend what it is you're doing? If you tell me that you were told to do it by the Treasurer, then that lets you off the hook, but if you—and I guess I'm looking at you, Mr Kaufman, directly, as the deputy—are the person who came up with this ingenious formula for getting major debt out of the budget process, I have to ask you why.

Mr Kaufman: Well, let me try and deal with a number of the points you've raised. First of all, the question of not being satisfied: I don't want that taken out of context. My reference was with respect to the issue of the treatment of capital. This is an area, both with respect to the PSAAB treatment as well as our own, that we need to work through, and hopefully we can get to an appropriate resolution.

I've spoken at length today about the issue of capital. In terms of GO Transit or a hospital or whatever the case, the point that's being made in terms of the treatment of capital is a recognition that capital in fact provides a stream of benefits over a long period of time and that, in terms of the costs of that capital, in current terms, on an annual basis, that be reflected in a more appropriate way. That's basically been the thrust of government policy on these issues.

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It's not a question of hiding the fact; I think it's reported in terms of the budget, in terms of financing requirements. All of this capital is reflected in the province's financing requirements and reflected as an item of debt. The decision to invest in new capital is clearly a decision of the government and ultimately of the Legislature in terms of its appropriation.

The reasons for the crowns? Government clearly indicated the rationale when it brought in the bill, what it was attempting to achieve through the crowns.

Mrs Marland: So it was a government decision, not a staff decision.

Mr Kaufman: Of course it was a government decision. They received advice from officials on these various initiatives.

Mrs Marland: Did you support that decision?

Mr Kaufman: My advice to the Minister of Finance is something I give to the Minister of Finance, and I've said here and I've said elsewhere that I believe the move to use crown corporations as a vehicle for the purpose which they were intended is a sound policy initiative. So obviously it's one which I think has considerable merit.

Mrs Marland: Even if their debt isn't reported?

Mr Kaufman: Well, their debt is. This goes to the issue that Mr Peters has raised around the question of consolidation and the way in which the budget is currently structured around reporting around the CRF. What the auditor is asking the province to do is in fact to go to a consolidated approach for the budget. That has certain consequences. It would change the nature of the relationship to previous budgets, and in terms of what people understand—

Mrs Marland: What would be bad about that? I

mean, what would be bad about having the financial reality in public?

Mr Kaufman: I've been over this ground in terms of the fact that the budget does reflect financial reality. It reflects it with disclosure of information. It reflects it in a particular way.

I think what we've tried to do in order to bridge this problem, and I think it does that, as Mr Christie has indicated, is in fact to respond to the auditor's request through a comparison, so that in fact we have, in the budget, information structured precisely in the way that the auditor would like us to move.

Mrs Marland: Excuse me. Can I just ask Mr Peters a question, then, because if I'm not hearing this correctly, I'd like to know. Are you agreeing with what Mr Kaufman is saying, Mr Peters, or are you still concerned?

Mr Peters: I've heard good news this morning. This is a point that had not been on the table. I think when Mr Christie responded he said that in the future on the budget it would not just be a reconciliation to that reality for the current year, for the interim actual unaudited, but that would be carried through into the budget itself, and that may go a long way towards resolving these issues. I think that was a very good news item indeed.

Mrs Marland: Mr Kaufman, the average person on the street, when they get their mortgage paid off, they're absolutely relieved because they now own that investment of their home. They don't go out and take on another mortgage in order to have another long-term debt.

Mr Kaufman: Some of us have, I'm afraid.

Mr Larry O'Connor (Durham-York): Maybe when we get a few years older. I'm waiting for that day. I'm much younger than you, Margaret. Sorry.

Mrs Marland: The point is that a lot of people want to get into that position. So I would like to know, since you are the adviser, I presume, to the government in your position as deputy, do you support what GO Transit did? I'm using that only as an example. Do you support selling something that you own and then having the wonderful windfall that year from the revenue of the sale and yet incurring a debt for generations to come?

Mr Kaufman: I think that you can take the GO Transit issue out of context. The context is dealing with the financial realities of the province of Ontario in terms of, over the last number of years, a very difficult financial set of situations and choices between taxes, between expenditure cuts and between new ways in which we can raise money. That's the context in which we were dealing with and have been dealing with these kinds of issues.

Mrs Marland: So do you think putting the province into long-term debt to carry the cost of now paying for the GO Transit equipment is a good decision?

Mr Kaufman: What I've said is that I think the GO Transit deal was a sound deal. The issue of investment in capital is one on which the government feels very strongly committed. It has made that clear in terms of its budget policy. That's the direction the government has decided to go. They've offered their reasons for that. When one invests in infrastructure, it incurs long-term costs; it also yields long-term benefits. One can turn it

around and say, "Why should current generations be fully financing today something which provides benefits to people over a long period of time?" That's the nature of capital investments.

So in terms of trying to get a better understanding of the difference between operating and capital and what that means, clearly the government has signalled that, and I think there is an important public policy debate that has gone on for a long period of time around these questions.

What I would make of the mortgage and the repaying issue is that the way in which we have now structured this in terms of the budgetary plan in fact is to include in the operating expenses of the government principal and interest repayment against those investments, so that in terms of decision-making, public policy decision-makers, the government and the Legislature, are now, in terms of the current decision around—

Mrs Marland: The interest will be in the operating budgets of the crown corporations, not in the government.

Mr Kaufman: No, the interest to repayment is in the operating accounts of the government.

Mrs Marland: For the crown corporations?

Mr Kaufman: For the crown corporations, precisely because we thought that it was important to get that part of the decision-making, which quite frankly was never there before. To the extent that we're incurring debt with respect to capital, it was off in some huge number called "public debtors" that no one could ever figure out.

What we've now done is clearly establish a very direct relationship between capital investment and the costs of that capital in the operating accounts. People are then forced to make choices as to what extent they're prepared to invest in more debt—it really goes to the heart of your point—invest in more capital which has long-term debt, and the consequences of that in terms of the operating deficit. So it in fact has presented policymakers with a much more realistic set of decisions, because they now are able to establish some direct relationship between the capital investment and the cost of that in the year in which it's being made.

So that was, again, the policy intent of government. As I say, there's a long history of debating these points in public finance literature. It does go some distance in, first of all, much more fulsome disclosure around capital investments and the cost of those, and it does change the nature of decision-making with respect to that. In that respect, I think we have moved the yardsticks.

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In terms of the accounting treatment issues, I think this is a very good—and I'm not an accountant either. I don't pretend to understand all the intricacies of this, but I think there are needs to work through some of the accounting issues in order to get them more in line with what is a growing consensus around how capital ought to be treated in public finance. This is going to take some time to work out and I think it's incumbent upon us to respond, as we have last year and this year, to the Provincial Auditor and to be sure that whatever we're doing, it is fully in the public domain and that we are presenting information in the clearest way possible for

people to make decisions, wherever they're sitting, whether it's in government or in the Legislature or outside the Legislature.

Mr Kimble Sutherland (Oxford): I was wondering if we could just elaborate a little bit on managing the government assets. Only being here since 1990, I haven't got all the history, but my sense is that in many respects, the government being a large property holder, landlord of all kinds of properties, in many effects the government just hung on to them until they actually got officially declared surplus and then decided, well, just put them out into the marketplace. Obviously, there was some consideration of not trying to flood a marketplace by putting too much on at a time, but how were we really managing those assets? Were we making the most effective use of them? How does that compare to what we're trying to accomplish now?

Mr Kaufman: I have two general points to make on that. The first is that by creating a corporation and putting a board in place and bringing in outside business expertise on that board, people really understand the business of realty management. And bringing a different kind of bottom-line discipline—it's amazing how when you create a corporation, the bottom line becomes really far more important. That overall direct focus of a board with real expertise on the management of assets certainly has already shown real value added.

The second and, long-term, more fundamental point is that we plan to introduce a pricing system into the management of government realty, and that pricing system is directly related to the market valuation of assets. Ministries are now going to be faced with a specific price for the use of their space. That will produce a far more serious evaluation, in my view, of the choices that people are facing with respect to the use of physical space. I think it's clear already and it will be far clearer over time that there will be a consolidation of space in order to save money now that people know the price of spaces. In association with that—as we start to see consolidation we start to see savings—we're going to see the realty corporation looking at the best use of surplus facilities, whether that's developing them for sale, which currently has not been a real focus, or is using them for alternative purposes for government. I think there are clear benefits from both of those major changes in the way we're doing business.

The other thing to say is that this discipline in terms of the realty corporation has resulted already in a much leaner organization. I don't know the numbers offhand, but since moving to a corporation structure it's been possible to really rationalize the organization more effectively and there are substantial savings as a result of that. So I think there are some very solid benefits from the move.

Mr Sutherland: The other question is regarding this issue of the benefit of capital expenditures. Different governments have chosen through various means to try and ensure that our system of public services is delivered in an effective way. In many cases, in terms of achieving that goal, we try to go to community-based agencies, whether that be a hospital, whether that's through the system of school boards or many of our transfer payment

agencies, and through the operating funds we flow, we allow them to provide those services and we believe that's a benefit to society as a whole.

In many cases, it would seem to me the capital expenditure is there hopefully to help either, in some cases, expand their service because of the demands on it or, in other cases, provide a more efficient operating structure for them to do that. It seems to me we are getting benefit out of that expenditure to those transfer payment agencies if it's increasing their operational ability.

Mr Kaufman: No doubt, and I think if you look at a variety of ministry strategic capital policy directions, more recent I would say, you will find that has become a paramount issue for ministries and the decision-making around capital investment.

A couple of good examples of that are in health care. The shift from an inpatient focus to an outpatient, day surgery focus, which has tremendous efficiencies associated with it, cannot be done without significant capital investment. Not only does that allow for an existing health care dollar to go much further; it also provides a level and type of service which is more effective and convenient for people utilizing those services.

Another example is multi-use facilities. It's clearly possible to begin to, rather than have different agencies have their own facility and all the administrative costs that go with that, consolidate into one facility and share a whole variety of services. In the Ministry of Education, along with Culture, Tourism and so on, we have in fact got a policy now of investing in multi-use facilities as a priority.

I would agree with you that capital is not simply a vehicle for responding to new demands. It's an investment tool for getting greater, and in some cases substantially greater, benefit, efficiency, out of the system.

Mr Sutherland: I guess that raises the issue—and I'm not an accountant either to understand all the intricacies of it—of how the benefit of that is measured. In some way, reporting that in an accounting framework seems like a big question as to whether all the current frameworks allow that to occur. Somehow, it would seem there needs to be some way of accounting for that as a benefit, whether to us as the direct capital or through some of the benefits provided to the transfer agencies, who in effect are carrying out programs on the government's behalf and on the taxpayers' behalf.

Mr Kaufman: I think I've emphasized again that this whole area is one which needs, and I think there's general agreement, continuing work to try and resolve how we get the best method of accounting for these.

Also, I take the auditor's point seriously on the point of accountability. In terms of these investments, they are investments, as I said before, largely financed by the province, and they are the result of provincial policy direction, so there is a need to be sure that we have effective accountability mechanisms associated with those investments. But the treatment of capital is something which a lot of people are looking at, including the audit community that has a task force, so my hope is that we will get something which comes out of the wash, both in

terms of the audit community as well as the government community, that works for everybody. It would be very nice, quite frankly, to not have a situation where we have such substantial differences in comparison between the way various provinces treat different things. It would be nice to have some common, agreed-upon basis so that we were able to get a clearer view of things across the piece for comparative purposes and for decision-making purposes than we currently have.

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Erik's absolutely right: It is a bit of a dog's breakfast. It has always been thus, and I think everyone is strongly interested. I know my deputy finance colleagues and ministers of Finance have had ongoing concerns about these issues, and it won't surprise me that before very long this becomes a real focus in that forum as well, trying to resolve it and create some basis of agreement with the audit community.

The Chair: Mr Peters has a brief comment.

Mr Peters: Just a very brief one. This is a very valuable discussion, because what it really starts to focus on is getting away a little bit from the accounting rules but getting more into the economic substance of the transaction.

The real question on capital is really, is there a future benefit? The two schools of thought on it are, yes, there is a future benefit if, for example, a hospital can provide service in the future. At the same time, the traditional view to date by most of the governments has been that actually the hospital itself is a funding requirement in the future, because the government is on the hook in the future to fund the maintenance and operation of the hospital, it is on the hook to finance the debt that is incurred.

Currently all governments are in the position that they have to borrow in order to finance activities, so it is a matter of trade-off. The real crux of the matter rests really in two issues: Is there a true economic long-term benefit to the government from that particular capital investment, and, the second one, when should that benefit be recognized? Should it be recognized at the time you make the investment, or is it to be recognized over time? Those are the fundamental issues we're wrestling with, and I'm glad you've held them out.

Ms Dianne Poole (Eglinton): Mr Chair, I'd like to move a motion, and I think the clerk has copies which he's now distributing for the members' perusal.

I move that the Ministry of Finance implement financial business practices, procedures and systems acceptable to the Provincial Auditor to ensure that the Legislative Assembly receives, on a timely basis, financial information which reflects as closely as possible the financial reality of transactions completed or planned.

Mr Sutherland: I'd like some clarification on what

this resolution really means. What are we defining as "on a timely basis"? I mean, we have a procedure that many of these things are presented in the public accounts at the end of the process. Are you saying that on a quarterly basis there should be something presented to say where things are going, of that nature? If you could clarify what you mean by this resolution, that would be helpful.

Ms Poole: This refers to the budgetary process. As we've heard from the Ministry of Finance today, there has been considerable effort put into ensuring that the public accounts are done in accordance with the accounting principles recommended by the auditor. Unfortunately, the way the budget is prepared does not reflect the financial reality. We could have a long debate over financial reality versus fiscal reality, but the fact is that the people of the province have a right to look at the government's budget and expect that it reflects financial reality as well as fiscal reality.

Mr Sutherland: I would just make a comment back, from the statements we've heard this morning both from the deputy minister and Mr Christie in terms of what's being presented, that this comparison is going to be presented in the budgets coming up, and a commitment has been made that way. I'm not sure whether the minister has made that commitment or not publicly or whatever, but the ministry certainly has, so I assume that is the case, that that is going to occur, in essence, what is here. So I'm not sure whether there is a need for this resolution at this time.

Ms Poole: I just think it's important the public accounts committee makes it very clear that this is a priority not only of the auditor but of the public accounts committee, and the ministry has obviously shown within the last year that they are willing to cooperate and bring the public accounts into line with the accounting principles. We would just like to ensure that in fact this happens with the budgetary process.

The Chair: Any further debate, discussion? If not, shall the motion, as put forward, carry? All those in favour? All those opposed? So the motion shall not carry. It is defeated.

I believe that brings this morning's agenda to a conclusion. I would like to thank the deputy minister and his staff for appearing before us this morning. I think this matter is probably something that will continue to be of a concern to the committee as we proceed into the future, so you'll probably be hearing from us some time in the new year. Thank you again for appearing before us.

Mr Kaufman: Thank you. We've enjoyed the discussion.

The Chair: If there are no further matters to be dealt with by the committee members this morning, we are adjourned.

The committee adjourned at 1149.

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Fletcher, Derek (Guelph ND) for Mr Marchese
Kwinter, Monte (Wilson Heights L) for Mr Crozier
Lessard, Wayne (Windsor-Walkerville ND) for Mr Perruzza
Sutherland, Kimble (Oxford ND) for Mr Bisson

Also taking part / Autres participants et participantes:

Peters, Erik, Provincial Auditor

Clerk / Greffier: Decker, Todd

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service



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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 1 December 1994

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The committee met at 1105 in committee room 1 following a closed session.

1994 ANNUAL REPORT, PROVINCIAL AUDITOR
MINISTRY OF COMMUNITY AND SOCIAL SERVICES

The Chair (Mr Joseph Cordiano): Good morning to our guests from the Ministry of Community and Social Services, who have just joined us. Rosemary Proctor, deputy minister, welcome to the committee. I'm going to commence our proceedings so that we may be on time and not go over the lunch period. Some of the other members on the committee will be joining us shortly, I hope, but I think we can proceed. You have a brief statement to open and then we will move on to questions from committee members.

Ms Rosemary Proctor: Good morning. I'm glad to be here today to address the audit report about the general welfare assistance program. I would like to introduce to the committee some of the individuals who are with me today. Kevin Costante is the assistant deputy minister for the social assistance and employment opportunities division. Mary Kardos Burton is the director for the social assistance programs branch. We also have with us Moosha Gulycz, who's a policy analyst in the social assistance program.

Before we get to the specific questions, I thought I would like to share with you some of the things that we have been doing to improve Ontario's social assistance system. Generally, we agree with the findings of the auditor's report and we've already answered many of these issues through our efforts to manage the system better. We are already well on our way, developing and putting in place centralized monitoring, the sharing of best practices, staff training and the measurement of STEP effectiveness.

Over the past several years we've been trying to substantially alter the social assistance system on three fronts: The first is fundamental reform of the system, the second is improving the management and accountability in the system, and the third is working towards a greater employment focus.

We've tightened the system through efforts such as case file investigation, which is the comprehensive integration of all our previous caseload management initiatives. We've rolled them all into one effective management practice. CFI establishes province-wide standards in documenting and investigating social assistance cases to ensure only those most in need receive assistance.

Right now all of the social assistance cases are being reviewed to this new, higher standard. To date, about

104,000 cases are making repayments because of errors, abuse or incomplete file information. These reviews have resulted in additional savings of \$66.3 million in the first five months of this fiscal year. Part of this effort involves the participation of municipalities to improve their management capabilities, through 100% funding of their initiatives by the province.

It's important to remember the context, to think of the economic situation at the time when these initiatives were and are being put into place. Ontario's social assistance system has been under great pressure in the midst of recession. As people lost their jobs and their unemployment insurance benefits ran out, they turned to social assistance in increasing numbers. We had to hire new workers to cope with the caseload and to help people who were in need.

One of our priorities has been to get people off the system and back into the workforce. Today, programs such as Jobs Ontario, JobLink and STEP and efforts such as case file investigation, in addition to changes in the economy, mean that the number of cases in a typical month is coming down. There are now 32,500 fewer households on social assistance since March, and this represents a 4.7% decrease.

Since the audit was completed, we've done a preliminary analysis of the cost savings available from the STEP program, the supports to employment program. Currently there are 96,000 people in STEP: 36,000 sole-support parents, 41,000 people who have been called "unemployable" and 19,000 others, such as disabled people and students.

As a result, we are saving \$35 million per month in social assistance payments. We are reviewing methods of evaluation that we could use to determine if there is any way to make the program more effective, and this winter we will increase our promotion of STEP.

So far, Jobs Ontario has provided jobs for 60,000 Ontario residents. Next spring, JobLink resource centres will help people on welfare or family benefits to start work or enter paid training that can lead to a job.

Beyond helping individuals, we are ensuring the integrity of the system by continuing to monitor our programs. In fact, all monitoring activities will be coordinated within the accountability and monitoring action plan, which is a ministry initiative in which we are establishing a systematic and consistent approach to monitoring. It is our expectation that all the elements would be in place by May 1995.

The accountability and monitoring action plan helps us

to report and measures centrally all the monitoring activities across the province. As part of this effort, we're developing a resource guide to assist in monitoring, as well as a process for identifying and sharing municipal best practices, and a review of all municipal monitoring activities. We want to identify what works and then replicate it wherever we can.

We are working with municipalities to discuss their monitoring activities. In the middle of next month we'll be meeting with municipalities to start a process to identify and share best practices. I met with OMSSA, the Ontario Municipal Social Services Association, earlier this week as part of the launch of that work. We've done some preliminary work on other areas of the plan, including the development of outcome indicators and monitoring GWA administration. We'll be focusing on these areas in the new year. We have also linked monitoring activities to our new automated system, Caseworker Technology, to ensure that as we automate in the future for this program, we will have the monitoring capacity and capability built in.

Of course, the training of program review officers is an important part of our ongoing improvement of the social assistance system. In the past year we've provided more than \$3 million to the Ontario Municipal Social Services Association and will provide another \$1.8 million for income maintenance training. We have also contracted with OMSSA to provide employment and multicultural training for staff. We're now developing a program review officer training program which includes information on auditing techniques, report writing and review methods. This will be completed by the spring of 1995.

All of these efforts together have improved the administration of the social assistance system, while ensuring that those in need get the help that they deserve.

That concludes my opening comments and we would very much welcome your questions.

The Chair: Thank you. We will start with Ms Poole and then Mr Callahan has a question as well.

Ms Dianne Poole: How many minutes per caucus, Chair?

The Chair: We have about 40 minutes left, so I think we should start with 10 or 15 minutes and then go back and forth—10 minutes.

Mr Rosario Marchese (Fort York): Say 15.

The Chair: Okay, 15.

Ms Poole: You might end up getting short-changed because—

Mr Robert V. Callahan (Brampton South): You actually could have 20 as no one's here from the third party.

The Chair: Let's say 15 minutes.

Mr Callahan: Are we saving 10 minutes for the third party, which isn't here?

The Chair: Well, we can save that for the new year.

Mr Callahan: All right. Send it to them in a Christmas card.

The Chair: Send it to them in an envelope.

Mr Callahan: This is very important.

Ms Poole: I'm actually quite surprised the Conservatives haven't showed up today since they specifically asked for this to be on the agenda this morning.

Mr Callahan: Probably out doing The Common Sense Revolution.

Ms Poole: We will be delighted to take their time. First of all, welcome to the committee and thank you for your presentation. I have several comments stemming from your presentation and then a number of questions from the auditor's report.

On page 3 of your brief, you talk about the 104,000 cases "making repayments because of errors, abuse or incomplete file information," and you say that this has "resulted in additional savings of \$66.3 million in the first five months of this fiscal year." Is that \$66.3 million collected or \$66.3 million owed?

Ms Proctor: The \$66.3 million refers to the total savings from all of the initiatives that we've achieved in the first five months of the year through a variety of methods. I would ask Kevin if he wants to provide you with some more detail about what that means and where that comes from.

Mr Kevin Costante: That is money that we actually did not pay out in terms of benefits, so it is money in the bank.

Ms Poole: So this would not be people you had overpaid and from whom you had collected money back?

Mr Costante: Part of it is from past overpayments which we are collecting money back on, yes.

Ms Poole: And part of it would be money that you don't have to pay out in the future because you've now corrected the error?

Mr Costante: No, we only counted the savings for the five months in question, so there will be more savings on top of that each month as we collect more and more. This is only the amount of actual savings in those five months. We haven't given you an annualized figure, so if they owed us \$1,000 and they were paying it at \$100 a month, I've only given you the \$500 savings for these five months; there's another \$500 to come. There's a fuller report—I'm not sure if that was circulated—I could give you now.

Ms Poole: Yes, we received a copy of that this morning. The second is about STEP, the supports to employment program, which was initiated, I think, around 1989, coming out of the SARC report. I think it has been an incredibly successful program and has a wide range of support among many people. But my understanding, from comments that were made by the Comsoc critic for our party, was that in fact there had been cutbacks in certain aspects of STEP. I wonder if you would like to elaborate on that.

Ms Proctor: I will comment briefly and then I'd ask Kevin again to fill in on some of the details of this. I think that we are seeing increasing takeup of the STEP program, rather than a reduction in it, although we have, over the past year, changed some of the parameters for the program in a couple of areas. But, as people begin to work part-time, the STEP rules—STEP isn't so much a

program as it is a set of rules which enable people to begin to work and to earn some money and to retain a substantial portion of their benefits while they're working themselves off social assistance and into complete employment.

The aspects of that that have been changed have to do with the base amount that's retained by an individual, depending on the kind of case it is, rather than the overall parameters of the program, which continue in place and which I think are getting increasing takeup as people do begin to work part-time and so forth. Kevin could explain any of the detail in terms of changes that have been made to that program in the last little while.

Mr Costante: In terms of the success of the program, prior to the introduction of STEP—I don't have the exact number with me, but I believe around 28,000 people were on social assistance with some sort of income from employment. As the deputy minister has mentioned, that has now increased to 96,000. If we were paying those 96,000 full benefits, our costs would be another \$35 million a month. We feel it is a very, very successful program and is having the desired effect of taking people who are on social assistance and providing them with a transition phase into employment. I would agree with your first comments wholeheartedly.

In terms of the changes that have occurred to STEP, in 1992, I believe, there was a rule change made that is called the STEP notch. Basically, for people coming on to social assistance, the STEP rules would not apply for three months. But that did not apply for existing individuals who were already on social assistance, because STEP was intended to help people make the exit off social assistance into the workforce. There was some concern on the part of the government that having the STEP rules in place would encourage a large number of people to come on to social assistance in order to get the top-up, which was seen as an income supplementation type of piece that would potentially have been very expensive.

There would be several hundred thousand people in the workforce who could have potentially come on. Of course, we don't know exactly because with social assistance the rules are both income and assets. We don't know what people's assets are.

The second set of rule changes occurred in 1993, as a part of the expenditure control plan. STEP, as you know, is made up of two components. There is what is called flat-rate exemptions which allow people to—they don't have any deduction. They're allowed to keep 100% of the first amount of money that they make through employment. Then, after those flat-rate exemptions, we start reducing their benefits at 75 cents for every dollar that they earn.

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The change that was in made in 1993 as part of the ECP process was to reduce some of those flat-rate exemptions. Particularly for single employables, the flat-rate exemptions were reduced to \$50. Mary or Moosha can help me, but I believe they were \$75 prior to that. For married individuals with no kids, I believe the flat-rate exemptions were reduced to \$100 from a previous amount of about \$125. I could get you the exact

numbers; I'm sorry, I'm trying to do this by memory.

Ms Poole: I'd appreciate it if you could provide us with some more information at a later date. Unfortunately, our time's very limited this morning. I guess I probably only have time for one more question because I know my colleague Mr Callahan has some.

With regard to your statement that, "Jobs Ontario has provided jobs for 60,000 Ontario residents," could you tell me what number of those 60,000—by the way, the latest figures we were given in our caucus were from October, which showed 48,000. Notwithstanding that, how many of the 60,000 that you state here would be social assistance recipients?

Mr Costante: Of the 48,000 that were filled, I believe 19,000 were social assistance recipients, and I'm not sure if those are the October numbers or not. I'm sorry. I'd have to check on that, but I think it's approximately 19,000, unless your—

Ms Poole: So the numbers are according.

Mr Costante: My 19,000 are September or October numbers.

Ms Poole: So the number is not 60,000; it is 48,000 that were filled?

Mr Costante: Isn't that the number that you had quoted?

Ms Poole: That's the number that was given in October, but it says 60,000 in this document, which is a substantive—

Mr Costante: I believe 60,000 is the number that—there are jobs that have been offered by employers and then there's how many of those have been filled or are in the process of being filled.

Ms Poole: So it's provided 48,000 jobs that are filled.

Mr Costante: I think actual people in jobs. I believe that is the number.

Ms Poole: Which I think is a much more definitive figure. Our statistics over the last two years have shown that there's a takeup of one in three by social assistance recipients, which would probably be fairly close to what you just said, and certainly the original intent of the Jobs Ontario program was to be geared to social assistance recipients. It was our finding that a number of the target groups were in fact getting far fewer of the jobs than others and that many of the jobs were being filled by people who would normally get those jobs. People who go to work at a golf course doing the maintenance work over a certain season this time got Jobs Ontario grants to do it. Restaurants such as Movenpick would get Jobs Ontario grants for people they were going to bring in anyway. It really wasn't taking people off social assistance and taking them out of the system.

We can probably have a longer conversation about that when we reconvene in the spring session, but that's my concern about Jobs Ontario.

Mr Callahan, I apologize, but there are five minutes left.

Mr Callahan: I think that was a rhetorical question by Ms Poole; I don't think it requires a response unless you want one.

It's my understanding that in order to qualify for Jobs Ontario, you have to be on welfare. Have you got any records of how many people have applied for welfare simply to get on Jobs Ontario?

Ms Proctor: I think that's part of the first question. I'd like to just clarify that the Jobs Ontario Training program is for people who are on welfare or who have exhausted their UI benefits. So the people who are going into the program and who are getting jobs through the program come in through both of those categories. It isn't just welfare recipients; it's also people who have exhausted their UI benefits.

I think the initial attempt there was that we were saying, "Let's try to get about half social assistance recipients, half people who have exhausted their UI benefits." At times, it has been tempting to try to push the percentage of social assistance recipients up and we certainly keep the pressure—

Mr Callahan: I don't mean to interrupt, but I have very little time. I'd like an answer to my question if you have statistics on how many people have applied for welfare in order to qualify for Jobs Ontario.

Mr Costante: I don't think there would be any statistics on that. Anyone who applies for welfare would have to meet the welfare criteria, the asset and income level. So that's not a question that we would ask them. They would have to meet our criteria to get on to the program.

Mr Callahan: That's not a question that you would put on the form? It seems to me to be a good question to put on the application.

Mr Anthony Perruzza (Downsview): Why would you want to do that?

Mr Callahan: You'll get your chance.

The Chair: Order. Mr Callahan has the floor. You have one minute left. It's probably enough time.

Mr Callahan: I would suggest you put that on the application because it would be interesting to determine just how many people have had to go through that artificial result to get Jobs Ontario.

The second question is, and I have very limited time: Obviously, from everything you've said and everything the auditor has reported, the question of whether or not people are able to defraud welfare depends upon how honest they are in terms of the information they give you. It seems to me that back in about 1990 or 1991, the government of the day eliminated or reduced or didn't increase the number of people going out for interviews with people, checkups. Does that continue to this day? Have the numbers been increased in terms of those support workers who go out and review whether or not people are qualified?

Mr Costante: Yes, since 1990 there have been three increases, major increases, in staff on the family benefits allowance side of social assistance. There were 298 staff added in 1991, I believe. In 1992-93, there were 450 staff added, and most recently, in March of this year, we added another 270. The number is now over 2,000 staff in social assistance, so they've almost doubled.

Mr Callahan: But are those 2,000 people—as was the

case prior to this government—going out and investigating whether or not people are qualified for it, or is this just general staff you've hired in the ministry to carry out reviews of people's written documents? I want to know how many people are actually in the field in terms of doing home visits.

Mr Costante: I can get you a breakdown of the staff. What I just quoted does include clerical workers. The vast majority of them are income maintenance officers who do client interviews. There are also eligibility review officers, who are specialized staff who investigate fraud complaints, and they include parental support workers who assist single parents to get support awards due to them from spouses.

Mr Callahan: Okay, if you could provide that to us, a comparison between what it was pre-1990 and the history of it till now.

Mr Costante: We can do that.

Mr Callahan: Thank you.

Mr Randy R. Hope (Chatham-Kent): I'd like to focus my comments directly to Ms Poole's comments about Jobs Ontario and how it's misinterpreted that you have to be solely on social assistance in order to be eligible for a Jobs Ontario program, and I think the answer can be clearly directed. Your comments say that out of the 48,000, the number which was given, 19,000 were social assistance recipients.

We have identified them. They've come forward. They've met the criteria to be eligible for social assistance, not like Mr Callahan is saying, that people are going to social assistance just so they can enter the program. These people have met the criteria for social assistance and we've identified them moving out of social assistance through Jobs Ontario to employment.

The question I would have is, out of the rest of the 48,000, they could possibly have been, if they didn't enter the workforce, on social assistance. I guess that's the question. It's kind of an answer.

Mr Callahan: Is that question rhetorical?

Mr Hope: Mr Callahan, I didn't interrupt you when you made your comments and I'd just like to clarify some information.

Ms Proctor: I think I'll start with that in the sense that the people who have exhausted their UI benefits and then would come into the Jobs Ontario Training program or whatever, some portion of those could well be eligible for social assistance. It depends on their family income level and their asset level at the time when they apply.

So some people may be receiving UI benefits. They've exhausted those benefits, but family income or assets would not permit them to come into social assistance. In many other instances, we see people's UI benefits finishing, being curtailed, the changes that have been introduced by the federal government, and so additional cases are coming on to the social assistance caseload as a result.

Within the number of people who are coming into Jobs Ontario Training, we are confident that some portion of that, whose UI benefits are exhausted, would qualify immediately for social assistance. Some other portion

might not, and there is some mix in there in terms of the total numbers.

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Mr Costante: For planning purposes, we assume that the number of UI exhaustees who would come on to social assistance would be somewhere between 10% and 20% of that group, who would eventually come on to social assistance at some point if Jobs Ontario wasn't there.

Mr Hope: So 10% to 20%, minus the 19,000 of the 48,000, that percentage would eventually end up on social assistance if they didn't access the Jobs Ontario program.

One of the other questions I wanted to ask was, some of the areas criticized in the 1994 auditor's report, which I clearly found out was done between the fall of 1993 and the spring of 1994, were also identified in the 1989 auditor's report—

Ms Shelley Martel (Sudbury East): No, 1987-88.

Mr Larry O'Connor (Durham-York): That would be 1987-88.

Mr Hope: Okay, the 1987-88. Sorry. I wasn't in government then. There was a Liberal government there that wasn't doing its job that it got criticized for. I guess my question would be, with some repeats that have occurred in this auditor's report, what steps have been taken since 1988 to correct and rectify some of those critical areas?

Mr Costante: If I can respond, I think first of all in direct response to the 1988 report, we increased the number of program review officers in the field, a large part of whose responsibilities is to monitor what municipalities do. We increased the number of those positions from 32 to 51.

The second component is, as you know, that through a large part of this time period, the ministry was engaged in looking at a serious overhaul of the entire social assistance system as part of social assistance reform. A lot of planning went into looking at how we would monitor and deal with municipalities that are the deliverers of GWA in that context, so a lot of our planning was done in that context of a fundamental change in terms of the system.

With financial constraints, again as you know, our reform agenda has been limited to the introduction of JobLink to help people make the transition into the workforce. Once it became clear that some of the legislative reform was not going to proceed, at least not at this particular period, we embarked, at about the same time that the auditor's report was being done, in terms of developing a monitoring and accountability plan—that we would start taking steps such as introducing training for program review officers, setting standards and formats as to how we would deal with municipalities. So we have a whole plan that is in place, I think, that addresses many and all of the issues that are dealt with in this most recent audit report.

Mr Hope: One of the questions I want to refer to is that you started with Mrs Poole dealing with the managing of social assistance in Ontario. You only identified one part of the increased number on page 7, in the part

that's called "Total Additional Savings from All Initiatives." I'm wondering if you could just take a little bit of time to give a little more detail than what is prescribed here in the paper about the moneys that have been identified in this area.

Mr Costante: The \$66 million is actually comprised of four major components. One of the key things we did as part of the case file investigation process was to instruct our workers to look closely at other sources of income that clients are potentially eligible for. In many places we actually did what were called blitzes and we found that our largest cost saving came from making sure that our clients were accessing and claiming moneys they could receive from things like the Canada pension plan and unemployment insurance. Of the \$66 million we saved, \$33 million came from that particular source.

Another key component of case file investigation—as a matter of fact, a lot of the ministry's efforts over the last two or three years have come from the introduction of parental support workers who work with our very large sole-support parent caseload to help them to get support orders in place, and we work very closely with the family support plan in doing that. There was an amount of money, an additional \$2 million beyond our previous efforts, that we got in those five months from that particular source.

Another important element of what we've done, and again it was something that was also mentioned in the auditor's report, is that there were many clients who owed both ourselves and the municipalities money at the time that they went off social assistance. The ministry itself had a process in place for collecting these overpayments from past recipients and we have, through the provision of 100% funding support to municipalities, helped them put in overpayment recovery units as well so that they could collect these moneys that are owing to the province and to municipalities from overpayments. Through those efforts, we were able to collect an additional \$13.5 million in the first five months.

So in addition to the item that we discussed with MPP Poole, there are those other three items as well.

Mr Hope: One of the questions I have is, it was indicated that you provided like \$24 million towards municipalities to help do case file investigations. I'm glad you cleared it up, that it's not people defrauding the system; it's just maybe not knowing that there are other avenues of income that are there. I guess like any other program, is \$24 million enough money to correct the system which the auditor has clearly indicated there are problems in? Is \$24 million enough, and the money that has been allocated, are the criteria of what it's going to be used for going to change? I mean, like anything else, you're trying to find savings, you've got to spend money, and I'm wondering if spending the money isn't enough. Are we fixing the problem or are we just adding Band-Aid solutions again?

Mr Costante: Of the \$24 million, we put out the first \$4 million in the last fiscal year and over 50 municipalities participated in this initiative. Many of them, as I mentioned, were setting up overpayment units. Others were doing information sharing between themselves to

make sure that clients weren't collecting welfare in more than one jurisdiction. There was a great emphasis on bringing in specialized staff, similar to what the province was doing in terms of trying to check up and do further in-depth investigations where fraud had been potentially identified.

We are this year putting out \$10 million of that \$24 million. So far I believe—Mary can correct me if I'm wrong here—that every municipality with full-time administrators has taken us up on this money. There's been very strong takeup. We're going to be looking at it closely and seeing the results of this year to see whether we need to add additional dollars. I think one of the things we wanted to be able to do is talk about the cost-benefit of these types of initiatives, and if there is a cost-benefit, we may potentially be looking at more dollars because we can save. For an investment of \$10 million, if we can save three or four or five times that amount, I think we can make a good case to government for additional funding or ongoing funding, if that's necessary.

To date, I think in our first five months, we consider the \$66 million to be very successful to start off. We're expecting to meet our target of \$180 million for the year. That is both FBA and GWA. So we think it's a good investment.

The Chair: Mr Hope, there's five minutes left and I have Mr Marchese and Mr O'Connor on the list.

Mr Hope: No problem. I'll yield to them. I didn't know you had anybody else.

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Mr Marchese: I want to ask a question which is a follow-up from what Mr Hope had asked, and that question related to some of the criticisms of the audit which were identified not now but also in previous years, and it connects to the administration expenses of, it says here in our research, one large municipality, but I presume it means many other municipalities as well, which receive about 40% of the funds allotted for administration that had not been approved by the ministry for 1992-93, at least at the time of the audit.

The recommendation is, "The ministry should review, and approve municipal budgets for GWA-related administration costs to determine whether allotted funds are distributed equitably to all municipalities."

The response from the ministry is, "We're doing it; either we're doing it or we've done it." I'm not quite clear, based on what the auditor has said, that we have done that. Maybe you can assure us in some concrete way that this has happened or is happening.

Ms Mary Kardos Burton: In fact, the ministry does the municipal administration costs. What we feel we could do better is to document the process. Our program supervisors in area offices in fact do review municipal budgets, and on a quarterly basis they are presented to our area managers, who form a program management committee. They look throughout the province in terms of equitability and distribution. They also take into account local conditions, which would be the cost of union settlements in local offices, how the staff are used, what they're used for etc. Then decisions are made at that

senior management committee that if they would result in a redistribution or problems or issues, they would be taken there.

So the process is reviewed, but what we have agreed is that our process hasn't been documented to the extent that it could be so that there's written information, follow-up letters that say, back to the municipality and to us, the issues.

Mr Marchese: Mr Peters, I'm not sure whether you heard the answer.

Mr Erik Peters: Yes.

Mr Marchese: Do you have a comment with respect to the answer and with respect to your own audit?

Mr Dinkar Amrite: No. I think Mary's captured it quite well. From an auditing perspective, I guess we expect to see a formal documentation process, and that was what we had difficulty with.

Mr Marchese: The other question relates very much to the same thing. Again, in our research the auditor's report suggests that there are no province-wide standards for measuring program effectiveness, and the auditor's report also recommends that standards be developed around monitoring.

The ministry response is that you have established a social assistance accountability monitoring plan. The question I suppose would be, what work have you done in this area or completed in this area and what does this plan include that will assure us that the program will in fact be monitored?

Ms Proctor: I'll begin. The plan we refer to includes a number of areas of improvement and changes, in terms of the monitoring, that have to do with staffing, the kind of information that we would monitor and collect centrally, so a number of processes. I'll ask Kevin to speak in a little more detail to what's included in all of that.

Mr Costante: We have actually a draft of our monitoring plan that sets standards and formats that's out for consultation with our field staff right now that actually establishes these. There are a number of things that would be included in that, and that would be the standards you talked about that would talk about the frequency of reviews, the format for those reviews, the methods for selecting files and what's involved in the monitoring activity that the program review officer actually does with the municipalities. That's in draft format out for consultation, so we would be getting that feedback in in the new year and then finalizing that.

Once that's finalized, it'll obviously become a key component of our training program that we will be starting early in the new year. The first component of that training program I believe will be some instructions to our program review officers about auditing techniques in January. I don't know if it's early in January. As we finish the training modules, we'll be completing the training with all the program review officers by late spring. We will also be looking at determining risk assessment to help them in terms of selecting files. I think those are the main components of it.

Ms Kardos Burton: If I could just add to that, there are probably two others. One of the points the Provincial

Auditor made was about the information requirements, that information was not being rolled up through our local offices and reported in to me specifically as director. We have a format that's being developed in terms of how that information will be reported. Not only will the information be reported to me, but I will be expected to comment on trends analysis issues etc.

The other area that we are looking at is a resource guide, as the deputy mentioned in her opening comments, for our staff so that they have assistance when they are monitoring in municipalities.

The Vice-Chair (Ms Dianne Poole): We'll move on to Mr O'Connor. We're almost out of time for your caucus, so you probably will only have time for one question.

Mr O'Connor: Okay, one short one, then. The researcher put together this package for us, and it reinforced some of the difficulties we've had in the past because of the changes through the Canada assistance plan. I know that one of the initiatives the ministry had done a lot of work on was the child income program. I think there was some light at the end of the tunnel for a lot of people, hoping that we could move forward with that.

We have a new government in Ottawa, and Mr Axworthy is going around the country, or committees of their caucus, talking about reforms. I just wondered, from the level which you'd come at problems of this nature, do you see any light at the end of the tunnel in working with the federal government to see things like the child income program maybe becoming a reality?

Ms Proctor: I can speak briefly to that. I think there are two aspects of it; one is that the federal paper on social security reform talks about a number of areas of reform within the context of the Canada assistance plan or in terms of replacing the Canada assistance plan and in that regard does express interest in the possibility of a national child income program of some sort. Certainly, Ontario has shared with federal colleagues some of the background information and some of the work, and some of that's been published as well, and they have access to that information to assist their thinking. That's at a very early stage, but there has been certainly some interest expressed there.

On the other hand, the difficulty that the provincial government had and that we had in terms of next steps in implementing a child income program, which becomes part of the whole federal context obviously as well, is the availability of resources to deal with this, because certainly we have not achieved progress in terms of a fair share to Ontario under the Canada assistance plan. That fiscal gap really continues.

That makes it not only a difficulty for us, but in the whole context of what resources are available, I don't know that anyone has figured out how we could accomplish a child income program. But there has been some real interest expressed and around the country some very positive regard for the kind of thinking that went into the design of the Ontario child income program and the structure of that and what it would do to a substantial change in social assistance.

The Vice-Chair: We'll now revert in order back to the Conservative caucus, since Mr Jackson has arrived.

Mr Cameron Jackson (Burlington South): Thank you very much, Madam Chair, and the committee for its indulgence.

I attended the press conference back in October and had difficulty with one of the questions that you had similar difficulty with, so let me try it one more time. It has to do with the fact that you can determine the amount of money that you have made arrangements for repayment of, and you tabled that figure. I didn't grab the right file. It's one in which you made reference to a quantified amount.

You were asked the question, if you know how much your monthly payment will be, you surely must know how long it will take that individual to pay back what they owe the government and how much that total bill is. That was the answer you couldn't give us, because you said you weren't set up on the computer to do that.

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I think that's a relevant question to ask in the presence of the auditor because if it was a car payment, my bank would know exactly when I'd be paid off, if I made all my payments, and they'd know how many car loans they had.

If this is welfare repayment, moneys owed to the government, then that's an accounts receivable. Surely, if we can work out a payment pattern, we can tell how much the total is of all that amount; not the total that's out there, just the total we've made deals on and how long it will take us to collect that as an accounts receivable. I'm sorry for using lay language, but I don't have an accounting background, and it's painfully obvious.

Could we take another run at that question? I know the media asked you, I asked you, and the minister and you both were unable to really help us understand what that larger figure really is.

Mr Costante: The question that I was having trouble answering was that they were wanting to know the total amount of the overpayments from day one, and that is an amount that I don't believe we can roll up from our CIM system. I think the amount that we can tell you is the amount that is owing to us in bulk from here on.

Mr Jackson: When you say, "here on," give me the parameters.

Mr Costante: We can tell you the outstanding amount. So we can tell you the outstanding overpayments that are owing to us. What I can't do is go back and say, "They've already paid off \$200, and they still owe us \$500." I can tell you that they still owe us \$500, and I can tell you what that total amount is for the 104,000 cases. Is that the amount?

Mr Jackson: The 104,000 that you have investigated?

Mr Costante: Right; who are making repayments. Again, I'd have to go back and ask our systems people. It's an amount that I don't have available. I've never seen that amount in terms of, from day one, who is still paying how much. I could go back and ask whether they can generate that number, and that is perhaps potentially possible.

Mr Jackson: Let's stay with the 104,000, and we'll stay with that one group. You gave us a hard number, at the press conference, as to how much additional moneys you are now collecting as a result of the preceding period of investigation. That was a hard number you gave us, and I apologize, I can't come up with that hard number. If you can help me with that, that's incredibly helpful.

Mr Costante: Sorry, I didn't bring the hard numbers with me because I didn't think we were getting into this line of questioning. The \$66 million is an increased amount of savings. I can give you an example. I don't know if you brought the report with you.

Mr Jackson: I have parts of the report in front of me.

Mr Costante: On page 7 it says, "Increased number of clients receiving support payments, \$2.4 million." Last year we would have collected—I'm not sure of the exact number—let's say \$100 million, and this is how much better we're doing in the first five months of this fiscal year versus the average monthly payment being made last year. This is an increased amount. So there's a bulk that lies underneath each of these numbers, and that's that larger number.

Mr Jackson: The \$2.4 million is what you're collecting back that's owed to you.

Mr Costante: That's an increase in collections.

Mr Jackson: Right, but not the total amount that's to be collected; it is what you will collect for the balance of this fiscal year.

Mr Costante: Right. Support payments, for example, the parent, the father usually, could be paying these support payments for the next 10 or 15 years. So no, we haven't built into that the next 10 or 15 years of support payments that the father would potentially be paying. It could be quite a huge amount.

Mr Jackson: Whether it was the 104,000 making repayments or it's those individuals who make up the \$2.4 million of increased revenue back to the province, I wanted to know what that represented in terms of a total debt, because that would be an accounts receivable to my government, and that's what I'm looking for, that accounts receivable as a total amount.

Ms Kardos Burton: What's owing to us.

Mr Jackson: What's owing to you as a large number.

Mr Costante: We can get that.

Mr Jackson: That's what we were seeking at the press conference, and we were led to believe that the computer system couldn't cope with that.

Mr Costante: What I was asked at the press conference was the amount from day one, continuing. That, I didn't have available. If you are asking me how much is owing to us from this point forward, I think we have those numbers. I believe we may have even provided them in estimates to you, but if not, we can get them.

Ms Kardos Burton: The only thing that we don't have on those numbers are Peel and Hamilton, which are not on our computer system, but the rest we do.

Ms Proctor: Could I add another further clarification to that point too, because I'm not sure that it would be feasible for us to calculate all of the future years in

relationship to, say, family support payments, and how those go on and how long those payments would be available, or future years, in terms of a lot of the work has to do with getting people who should really be getting CPP payments into that system, and we wouldn't calculate future years in relation to that kind of thing.

Mr Jackson: But we are including in here fraud cases, and we're looking at, if someone has ripped off the system for \$20,000 and they're making payments back to you, as opposed to going to jail or going to court, then we should be able to determine that they owe us the \$20,000. I understand that there are at least three or four categories of reasons for repayment. I know I'm running out of time.

The Vice-Chair: No, you actually have a few more minutes, but the auditor asked if he could provide a point of clarification.

Mr Peters: To help clarify the point that was just being discussed, in a little handout, Mr Jackson, that you may not have seen, that was referring to the family support plan, and you were starting to talk about this, maybe I can just add a question, the plan itself, the family support plan, has identified \$275 million owing to the province. That's out of the so-called assigned cases, that is, where Comsoc has made payments to people who are receiving support from Comsoc because the spouse has defaulted.

In support of the plan, and maybe Mr Costante could shed some light on this, the plan itself has identified that in the fiscal year for 1994 they collected \$43 million of this. What might clarify the situation is how the \$2.4 million in the savings relates to the \$43 million that was collected before. Maybe if you could clarify that for Mr Jackson, that might help.

Mr Costante: We would have taken the \$43 million, divided it by 12 and calculated an average monthly payment, which would be a little less than \$4 million. What we would have then done is look at how much we actually got in the first five months of the fiscal year. Let's say we were collecting \$4.5 million. The savings identified here would have been the increased savings between, let's say, the \$3.8 million average monthly savings last year versus the \$4.5 million in the first five months of this fiscal year. It's that difference that's being shown here, not the full \$43 million. Thank you for the number.

Mr Jackson: On that point, when these matters go to court, Comsoc is not represented in court. The Attorney General's office is in court enforcing SCOE, not Comsoc. In fact, when a social assistance recipient gets paid welfare because of a defaulting spouse, that money from the defaulting spouse is owed to the social assistance plan; it's not owed to Mrs Jones whose husband took off on her years ago.

I raise this with the government because I'm concerned that there's an increased number of men who are in default who are throwing themselves at the mercy of the court, saying: "You'll never get the \$43,000 that I owe my ex-wife out of me. I want to go on social assistance."

I know they're right. Once they show they don't have

a penny, they have the right to go on social assistance. What I'm trying to get at is, are we identifying, quantifying, the increased number of cases of write-offs of funds that are owed to you, and how are you handling those as an accounting item?

Again, I don't have my file, and I looked for it, but the Attorney General wrote me a rather lengthy letter about a specific case I took where they wrote off some \$40,000 in arrears.

Her explanation to me was that this is money owed from the plan to your ministry, but it wasn't technically owed to her, so she shouldn't take it personally that the judge wrote off \$40,000. It was the Attorney General who made the deal in the courtroom to write it off. The crown made the deal on behalf of the Attorney General, who's responsible for the plan because the money is owed to another portion of government. I'm sorry to use lay language, but that's exactly the situation.

What I'm asking is, how are you treating those write-offs? Are you using those as collectibles or matters resolved? I'm just very nervous about the way we would handle that. Those are moneys owed to you.

The Vice-Chair: Just before the ministry answers that question, the Legislature has risen, so our committee is supposed to adjourn. Perhaps you could give a brief response and then follow it up with a lengthier written response.

Mr Costante: I think I'm going to have to follow it

up with a written response, because I also am not an accountant, and I don't know how we are treating the write-offs.

Just on a previous point, often the ministry is represented in court by our parental support workers. We are often there to represent our interests, to make sure that the ministry is getting its money back. We have steadily increased the number of parental support workers that we have in the field, because, as you know, the sole-support-parent caseload is quite a large and growing part of our caseload.

Mr Jackson: There are only two growth areas, and this is one of them, but huge dollars are involved here.

Mr Costante: I undertake to get back to you on the case of the write-offs.

Mr Jackson: I appreciate it, and I'll share with you my file and the Attorney General's lengthy letter to me with that case, because it makes it easier for me to understand.

The Vice-Chair: I'd like to thank the ministry for appearing before us today. You'll no doubt be overjoyed to know that we will be setting our agenda for the intersession at our next meeting, and it is possible you may get to come back.

The standing committee on public accounts stands adjourned till next Thursday morning at 10 o'clock.

The committee adjourned at 1201.

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Substitutions present / Membres remplaçants présents:

Hope, Randy R. (Chatham-Kent ND) for Mr Bisson
Jackson, Cameron (Burlington South/-Sud PC) for Mrs Marland
White, Drummond (Durham Centre ND) for Mr Perruzza

Also taking part / Autres participants et participantes:

Office of the Provincial Auditor:

 Amrite, Dinkar, director, community and social services audit portfolio
 Peters, Erik, Provincial Auditor

Clerk / Greffier: Decker, Todd

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service

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Official Report of Debates (Hansard)

Thursday 8 December 1994

Journal des débats (Hansard)

Jeudi 8 décembre 1994

Standing committee on public accounts

1994 annual report,
Provincial Auditor

Chair: Joseph Cordiano
Clerk: Todd Decker

Comité permanent des comptes publics

Rapport annuel 1994,
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STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 8 December 1994

Jeudi 8 décembre 1994

The committee met at 1009 in committee room 1.

AUDIT ACT AMENDMENTS

The Chair (Mr Joseph Cordiano): Members of the public accounts committee, on our agenda this morning, there are two items. We'll proceed with the first item of business. I would like you to refer to the document that Anne Anderson has made available to everyone this morning. I believe you all have a copy. There is an outline in this document regarding hearings on the Audit Act amendments.

Before we look at this document, the auditor has a statement with regard to those hearings and how we might proceed, so we'd like to hear from him first and then we can move on to discuss how we might approach the hearings around the Audit Act.

Mr Erik Peters: The public accounts committee has been very supportive of this office's views and concerns respecting the current limitations of the scope of inspection audits under the Audit Act. Since 1990, the committee has been voicing its desire to give the Provincial Auditor the legislated authority to perform value-for-money audits of organizations receiving government grants.

Given the continued support on the part of the public accounts committee, it must be the expectation of the legislators and the general public they represent that I as Provincial Auditor can fully comply with the Audit Act in all my audits. This means I can take account of economy and efficiency and can report on the adequacy of procedures established for the measuring of and the reporting on the effectiveness of programs in conducting my examinations in respect of the expenditures of all—and I underline “all”—public funds appropriated by the Legislative Assembly.

From my office's perspective, the only way for the Provincial Auditor to meet the expectation of legislators would be through an appropriate amendment or amendments to the Audit Act. As I wrote in my May 2, 1994, letter to this committee, “inspection audit” in the current Audit Act is narrowly defined as “an examination of accounting records” and has a scope limiting financial audit connotations. The proposed amendment would therefore expand on the current discretionary inspection audit provision to permit the Provincial Auditor to perform discretionary full-scope audits, including value-for-money audits of grant recipients.

As well, many large grant recipients receive funding from various public and private sources. Based on limitations imposed on our past inspection audits, we

firmly believe the Provincial Auditor's right of access should extend to all relevant—and I stress “relevant”—records of grant recipients.

Accordingly, one approach would be to broaden the definition of section 1 of the Audit Act to read, “‘Inspection audit’ means the audit of such records and information as the auditor deems necessary to perform the duties under this act.” In my view, this is the only substantive change to the Audit Act required at this time.

As well, the committee may wish to consider a companion amendment to section 13 of the act so as to clarify that individuals receiving transfer payments such as OHIP or family benefit allowances would not be subject to audit by the Provincial Auditor; however, the programs under which these payments like OHIP and family benefits are made are now and will continue to be subject to full-scope audits by the Provincial Auditor. So the programs we can audit, but we cannot audit the individuals.

The current Ontario Audit Act came into effect in April 1978 and gave the Provincial Auditor the authority to conduct inspection audits of transfer payment recipients. The granting of this authority effectively recognized the significance of transfer payments in government. In Ontario, transfer payments to organizations currently represent about 55% of provincial expenditures. That means over \$30 billion a year.

Given the multiplicity of transfer payment recipients, it was not feasible nor was it intended that the Provincial Auditor undertake inspection audits on a broad scale. Instead, it was left to the discretion of the Provincial Auditor to determine an appropriate level of activity. Initially, the Provincial Auditor conducted inspection audits only on an exception basis, where, for example, evidence obtained in ongoing ministry and agency audits indicated that such audits were advisable. However, consistent with the generally increasing emphasis on government accountability during the period 1984 to 1991, the office expanded audit activity to include the major recipients of transfer payments.

In 1984, in response to concerns expressed by the public accounts committee, the office undertook a special review of a college of applied arts and technology. This review included all the elements of an inspection audit. Our findings were reported directly to the committee. Subsequently, we conducted inspection audits at two more colleges. The results were included in our 1985 and 1986 annual reports.

In 1987, the office decided to extend its inspection

audit activities to the university community. In response to and to contain the office's planned inspection audits, a legal opinion on the authority of the Provincial Auditor and the scope of an inspection audit was obtained by the Council of Ontario Universities.

This legal opinion focused on whether there are any limitations on the authority of the Provincial Auditor to perform an inspection audit of a grant recipient. The opinion concluded that there were two such limitations. Firstly, the inspection audit should be limited to an audit of the grant payments received by the university and, secondly, it must be limited to an examination of the university's own accounting records.

It's rather interesting—and I'll make a little sideline—to see what the legal opinion excluded from being accounting records. For example, universities' internal audit reports were considered not to be accounting records and therefore not accessible. Recommendations made to management by external auditors, which they have to have under their statute, were also considered not to be accounting records and therefore not accessible by us.

Subsequently, in 1989, the office decided to extend its inspection audit activities to the hospital community. Again, as in the university situation, legal advice was sought by two hospitals. A legal opinion obtained by one of the hospitals focused on whether medical records of the hospital should be considered accounting records and whether the hospital is required to disclose these records to the Provincial Auditor during the conduct of an inspection audit under subsection 13(1) of the Audit Act; and whether the hospital is required to disclose financial records regarding ancillary operations—for example, the parking lot operation of hospitals—to the auditor.

The legal opinion concluded that medical records cannot be considered accounting records and therefore the hospital is not required to disclose these records to the auditor. The opinion stated: "These records are for purposes of patient care and there is nothing in them of a financial nature. Although they may be used for statistical purposes, they are not relevant to an inspection audit."

We have to talk about what meaning medical records may have, because medical statistics are certainly of interest in value-for-money audits. I'm departing from my text for a moment. Having dealt with the Canadian Comprehensive Auditing Foundation's discourse on effectiveness of hospitals, it was saying that, for example, one measure which was a straightforward one was the incidence of bed sores in hospitals because it would be a tremendous performance indicator for the quality of nursing care provided, so statistics should be made accessible, not individual records. These are some of the things we might want to get into when hearings are held.

Regarding ancillary operations, the opinion concluded that "The hospital is not required to disclose financial records of its ancillary operations except to the extent that these operations are funded by grants from the consolidated revenue fund and the auditor's examination is in relation to such grants."

This legal opinion also considered the issue of the limitations on the authority of the auditor to perform an

inspection audit. In essence, the legal opinion obtained by the hospital noted the same scope limitations as provided in the legal opinion obtained by the university community.

Within the boundaries set by these legal opinions, the office completed inspection audits, and I won't go into those at length.

In 1990, the office decided to extend its inspection audit activity to the school board community, and those audits added value for money and were actually considered useful by that community. Just in this particular regard, very recently, just a week ago, the Coalition for Education Reform issued a little document of theirs, "Report Card: Could Do Better: What's Wrong With Public Education in Ontario and How to Fix It." It's very interesting to note that they are saying on pages 64 and 65, "Audit procedures need to be reformed, with regular value-for-money audits of randomly selected boards by the Office of the Provincial Auditor being an especially attractive near-term step." So it's a direct quote from this document. I don't know whether that was made available to members of the Legislative Assembly. It's a little red book that came out about a week ago.

This generally describes our recent experience with inspection audits. The legal opinions referred to above made it clear that the full scope of the Audit Act does not apply to inspection audits. Rather, as defined in the current Audit Act, inspection audits must be limited to audits of grant payments received by the organizations and can therefore not be more than financial and very limited compliance audits.

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The Office of the Provincial Auditor does not dispute the conclusions reached in the above-noted legal opinions. On the other hand, this narrow interpretation appears to be inconsistent with the current emphasis on accountability for grants, be they conditional or unconditional. From this office's perspective, there is an implied expectation that the funds provided to organizations will not only be spent for the intended purposes, but will also be spent prudently with regard to economy and efficiency, and that adequate procedures are established for the measurement and reporting on the effectiveness of programs.

Recent events have made this issue even more urgent, some of which I would like to raise with you.

Two weeks ago before this committee, the Deputy Minister of Finance explained that he would like to see recognition of capital assets in the provincial statements. Most of the province's capital expenditures are in the form of capital grants to municipalities, universities, school boards and hospitals. As well, the accountability framework is not adequate to ensure proper management of these capital grants as capital beneficial to the province, nor have appropriate accountability mechanisms for these capital transactions been put in place to ensure that all grant recipients actually utilize the grant for capital purposes, let alone whether value for money is achieved.

As you know, I've been advocating the establishment of a legislated accountability framework. However,

progress has been very slow. Central agency officials have stated their preference in various non-legislated ways to strengthen the accountability framework.

The proposed strengthening of the legislative audit regime over transfer payments may well serve to expedite, but should not replace—and I emphasize should not replace—the establishment of a workable legislated accountability framework.

In the Minister of Finance's September 27, 1994, letter to this committee, he encouraged the public accounts committee to undertake public hearings on the proposal to expand on the current discretionary inspection audit provision to permit the Provincial Auditor to perform full scope audits, including value for money, of grant recipients.

To get the ball rolling on these hearings, I believe some logistics need to be ironed out. As touched upon at the last subcommittee meeting, perhaps the best approach would be for the committee to write to all deputy ministers to inform them of the consultation process—that would include the Ministry of Finance, incidentally—and hearings that the committee is planning during the inter-session. The deputy ministers could be requested to inform their respective transfer-payment-receiving organizations of the underlying policy supporting the proposed amendment and the process to be followed by these organizations interested in being heard. If this approach is acceptable to the committee, my office can work very closely with and assist the clerk and the researcher in the preparation of pertinent information to be included in the letter to the deputy ministers and of course in the whole process.

Thank you very much for allowing me this time to make this presentation.

The Chair: I suppose we will have some discussion around the statement made by the auditor, but I'm not sure how we want to do it. Has everyone had an opportunity to read this document? This attempts to outline how we might go about the process that might be required in terms of hearings.

Ms Dianne Poole (Eglinton): I think as a committee, the amendments to the Audit Act have to be our first priority. This has actually been a priority of public accounts through two different parliaments and in fact for about the last six years. I'm concerned that if we don't get something concrete done during this Parliament that again it will be left to another public accounts committee with a different makeup of members, and we'll be back to the starting block.

I think this is critical that we do it during the inter-session, that this should be our first priority. No matter how much time we get, the first priority should be to do the Audit Act amendment.

Secondly, I would suggest that if we are going to have a fairly comprehensive hearing process, we should give the transfer agencies as much time as possible to put together a brief. They are going to be quite concerned about this. I know in other committees I've been on, often we've allowed very little time for these transfer agency partners to put together their case and their

recommendations, and we have come under some criticism. If we are going to be inviting them to present to our committee and make concrete recommendations, I would say we should be asking the House leaders that it not be January that we meet but probably the latter part of February, to make sure that by the time the transfer agencies and other witnesses we might like to call come forward, they will have had at least six weeks in which to put together their material. I think it's a very critical issue both for them and for us. That would be my recommendation.

I've been looking through what Anne has recommended here and I would suggest, as long as the rest of the committee members agree, that perhaps the auditor provide us with a list of his recommendations of some of the private sector corporations, for instance, that have been very involved, and whether there are people at the federal government who have expertise in this particular area, because I know they're going through similar exercises, and that he prepare a summary of possible witnesses that we could start from. That's all I had to recommend.

Mr Robert V. Callahan (Brampton South): I've had a chance to look at the statement by the auditor and I concur with my colleague that this has been an issue that's been around as long as I can remember, certainly as long as Mr Peters has been here. How many years have you been here, Mr Peters?

Mr Peters: Two.

Mr Callahan: In report after report, we have urged the government to take those steps. If any of the members over there are thinking that this is a political job, it's not. Mr Langhorne solemnly indicated, six or eight or 10 months ago, that these things were at the level of being ready to go. Maybe it's just a question that it's not considered to be, within the framework of legislation, the most important thing to pass.

I think the public accounts committee has to tell the Minister of Finance that this is in fact an essential amendment which, as the auditor has indicated, will allow the auditor to do more than simply drop in and look at the documents in a transfer-payment group. What's the point of using the auditor for that purpose? If he's going to have any meaningful purpose, it really is to ensure that value for money is being obtained from those transfer agencies.

I think we as political entities have a responsibility to a unanimous basis—forget the politics of it, because I think the auditor has a responsibility regardless of who's the government. We as taxpayers should be requiring that the dollars being spent, which are very minimal these days, are being spent in the best possible way.

I would certainly hope that we could urge the entire committee to remind the Minister of Finance and any future ministers of Finance that this is a high priority for this committee. It's our responsibility to ensure that the dollars of the taxpayers of this province are spent wisely and well. I suggest that any delay in implementing the additional authority for the Provincial Auditor is dollars that are simply being wasted perhaps, so I would urge all of the members of the committee.

I've looked at the report. I would think we should probably hear from a broad cross-section of people. I don't think we should just limit it to transfer recipients. I think we should have perhaps the opportunity to interview people from other provinces. I don't know whether other provinces have a more expanded audit act that does allow them to have—Anne's nodding yes, so I presume they do. We might want to hear from them as to how this has impacted on the success they've had in terms of being able to monitor and improve the services being provided by transfer recipients.

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It's interesting that the auditor is able to do that internally within government operations. I see no difference between that and transfer recipients. I think they're equally an arm of the Legislature, in a sense, and the dollars should be well spent.

I would have no difficulty endorsing that: hearing from some people from other provinces as to what their experience has been. I think it's suggested that perhaps we should have even a broader review. We should have people from the private sector come here and expand on it and perhaps reinforce some of the things the auditor has said and perhaps give us a perspective of just how we may be missing the boat by not having this power included in the Audit Act.

I would certainly encourage my colleagues on this committee, which is known for its non-partisanship, to endorse this because we do have the privilege, I guess, of being one of the few committees in the Legislature where our responsibility is no different whether you're in government or in opposition: Your responsibility is to ensure that public moneys are spent wisely and well. That's particularly significant in days of dwindling dollars or tight dollars, so I urge all of you to support this and that we should not let it become partisan.

Finally, I would say, as I began, Mr Laughren knows about this, as I'm sure his parliamentary assistant can attest to. In fact, I recall his parliamentary assistant telling us on one previous occasion—I'd have to dig out the Hansards—he in fact was the one who purveyed to us the information that Mr Laughren had the amendments sitting there, they were all ready to go. I believe it was you, I may be wrong, but it was certainly the parliamentary assistant to the Finance minister who said that the amendments were there, that there was no objection to them being brought forward. Perhaps, with unanimous consent of the House, this being our last day, perhaps they could be brought—I'm not saying that as a partisan shot, believe me.

Mr Kimble Sutherland (Oxford): No, I know you're not.

Mr Callahan: I am saying that, if we delay and there happens to be that inevitable event that takes place every five years, and if the government should change hands, you may find the public accounts committee, with all due respect, going through this same exercise the next time. I think it's time to strike while the iron is hot. You people have lots of influence. Maybe you can get it on today.

The Chair: If I may, Mr Peters would like to make a comment on something you said, just to clarify matters.

Mr Peters: Very quickly, to put into perspective that it was not any foot-dragging by the government.

Mr Callahan: Oh, I know that.

Mr Peters: It was actually my office that caused the delay, because my insistence was that we get an accountability framework going first and then I could audit in that framework. They came forward with that notion in February 1993, so there is no—I just want to squarely accept the blame for this delay. What happened is there is no progress on the accountability framework, so we have to ultimately push ahead, otherwise we are going to lose the audit right over those \$30 billion.

Mr Callahan: So we can't bring it before the House today, eh? Well, then I urge you to press ahead with the accountability framework so we can get on with the legislation.

Mr Gilles Bisson (Cochrane South): I have some different views on what's been expressed to date. I can understand where the auditor is coming from and what he's trying to do, but I think the powers you're asking for are far more sweeping than they appear to be, and I guess I'd have a couple of questions.

The clause you're asking us to adopt here is, "Inspection audit" means the audit of such records and information as the auditor deems necessary.... Is that specifically just to transfer agencies or is that to all of the business you do? Is this solely to give you the ability to audit a transfer agency? Or is this also a question of enlarging the scope of your responsibility vis-à-vis, for an example, the Ministry of Education and Training; not just looking at the financial numbers, but looking at policy etc.

Mr Peters: No, because I related directly to the duties under the act, I am not asking for any enhancement at all of power or of enhancing the duties under my act. I am just asking whether we could do the audits of transfer payment recipients that we currently can conduct in ministries and other government organizations. It's just to go parallel. We have stopped right now. I can't go.

Mr Bisson: The way I read that—and I'm not reading it in context of the entire act and I'd want to go back and do that—it seems to me what you're asking for is a broadening of powers, not just the ability to go after transfer agencies.

Mr Peters: No, not at all.

Mr Bisson: Let me carry on. I'll tell you why I'm a little bit concerned. In your preamble you talked about a couple of things that for me don't sit well. When we talk about value-for-money audits, it's a nice thing to say, it sounds like the financially responsible thing to say, but how responsible is that? At what point do we stop? Is it good value for taxpayers' money that we do bypass surgery on a patient who smokes cigarettes? Is it good spending of money to build a road to a place like Detour Lake or Attawapiskat? Probably not. It probably makes absolutely no sense financially, but from a societal point of view it makes a lot of sense sometimes to spend money on some areas that need to be serviced in one way or another.

That whole issue of value for money, the connotation is that if it doesn't make sense economically, you don't do it. I think the responsibility of a government to its people is not strictly whether it makes sense from a financial perspective, but does it make sense from the perspective of being able to deliver the services to a community?

For example, we know that in northern Ontario to deliver services through children's treatment centres, and you're probably aware because I think you actually did an audit—no, actually it was a ministry review that was done in regard to children's treatment centres. If you look at the amount of dollars spent per child on a northern Ontario child versus a southern Ontario child, the amount of money in the north is quite skewed. You would say that they're richer in northern Ontario, that they get a lot more money, that they're somehow not spending their money wisely, but the reality is that there are some differences as to how we provide services in the north versus how we provide services to a more geographically concentrated population, as we do in southern Ontario.

When we start getting into value for money, that scares me a bit, because I went through a process with my children's treatment centre for a year and a half—actually, it started under the Liberals, and we carried on that whole review that was started under the Liberals, and we just concluded it, where we held up the ability for the children's treatment centre in my area to move forward in providing services to the community of the Cochrane district based on solely that concept, that we were not using the money wisely. When you looked at the numbers, they were skewed. What we found in the end after spending a whole bunch of money was that northern Ontario is a big geographical area that has people living at both ends of the province, not separated by the 407, that type of thing. That concerns me.

The other thing you're getting at, and I guess I want some clarification, is when you talk about a legislative accountability framework, what are you talking about? The last time I checked, I'm accountable to the voters I represent. If I pass legislation that is, to be quite blunt, wacky—and some people would believe that from both sides of the House; Liberals have passed wacky legislation, the Tories have passed wacky legislation and so have we, from somebody else's perspective—that's for the voters to decide. I'm not quite sure I understand what you're getting at when you talk about an accountability framework, and if you can comment on the latter, I would be interested. The first one was a comment in regard to value for money.

Mr Peters: I am very glad you raised these points. Dealing with the first point, very clearly, we do not evaluate, assess or report on policy. So if it is a health policy to do these operations you describe or whatever, that is perfectly within the purview of the people who administer this; I have no right to talk about this from an audit perspective. We do not audit the merits of policy. It's very straightforward; we have not done so, my office has no record of doing so and I have no intention of doing so in the future. So if the policy is to do an operation on a smoker, that is the policy, and I have no problem.

When we talk about value for money, let's make abundantly clear that there are three elements to that: there's economy, there's efficiency, and the third one is effectiveness. On effectiveness, right in the act, the duties of my act are limiting us on effectiveness, and that's the area you're talking about. On effectiveness, we can only ascertain whether the ministry, and now the transfer payment recipient under this, actually measures and reports its own effectiveness. Do they know if they are doing a good job? That's really the fundamental question that we're entitled to ask. We're not judging whether they're doing a good job or not; we are just asking the hospital or the youth centre or the children's centre that you're describing, do they know if they're doing a good job, do they know if they are effective? That's all we're allowed to ask. That is on the first question you raised.

1040

On the accountability framework, it is very straightforward. If we, as auditors, are coming in now and are looking for, for example, value for money, whether we receive value for money from a university operation, as an example, what is of concern to me and continues to be of concern to me is that we would then be entitled to raise questions with the university administration which the ministry is not currently entitled to ask.

That's why my original stopping this process was to say, "Please put something in place so the ministry can ask these questions first before we ask them," because it's very often a negative impact if the auditor is entitled to ask questions that the ministries are not entitled to ask. But there is no framework currently in place under which the ministry can ask this question.

Mr Bisson: But understand where I'm coming from here. If you look at the cost of delivering a service—and this is what concerns me—for example, if we want to extend post-secondary education on the James Bay coast, we know that's going to cost us a bundle of money. If you try to account for it person by person within the system, it won't make any financial sense, but from a societal point of view, it might make a lot of sense to do that. That's what concerns me.

When we start talking about value for money and we start talking about a legislative accountability framework, I know the spirit in which you present it, and I know what you intend to do is not something that is totally out there. But my fear is that there is a very right-wing view in this province that's been coming over not only here in Ontario but I think all of North America and Europe.

We only need to look at the United States and what's happening with the whole movement to the right since the 1980s, going into the 1990s. That whole movement is happening here in Canada. We've now elected a Reform Party. All of the parties have moved to the right, including mine. My fear is that we're going to get to a point in this society where we're going to say, "If it don't make any sense financially, we ain't going to do it."

I believe we have a responsibility as a government and as legislators to make sure that people within our jurisdiction have fair access to the services that we deliver. I think there are people who understand this differently than what you propose it to be. It might make sense from

an economic standpoint—and I only use that as an example—not to offer post-secondary education on the James Bay coast, but from a societal standpoint it may make a hell of a lot of sense.

Mr Peters: I differ with your view. What I would like to say to you is that indeed the current duties and powers under my act would force me to make the very statements that you're currently making, because I cannot look at any other records that would justify the transaction.

Take your example of expanding school. I'm only allowed to look at the financial statements of that school board. Therefore, I'm totally limited to talk about the financing, but I cannot look at any records that justify the transaction. So I'm very limited.

Mr Bisson: I understand. I don't want to hold the committee up, and I want to let it go at this point, because I'm only trying to make a point. It's not that I'm opposed to the direction the auditor is asking us to go—I understand what he's saying—but what I'm saying is that I'm somewhat fearful, looking at where society is going in regard to the shift to the right over the last 15 years, that people read this differently.

I want it on the record that I think it's important that we offer services to our people based on their needs, not based on the economic, sometimes. I know some people may see that as not being responsible, but for the people living on the James Bay coast, sometimes it's a bloody necessity. I'll leave it at that.

The Chair: I just want to comment in terms of the committee's mandate and also the auditor's mandate, and just put that in perspective. It's not within the purview of this committee to examine government policies. We would examine the accountability of those policies. So if the government chooses to expand schools in whatever area of the province it decides is appropriate from a policy standpoint, then what this committee and what this auditor would be entitled to do is to examine accountability for that, and value for money is an extension of that accountability. It's a way of determining that in fact what the government said it wanted to achieve and the objectives it set out would be achieved.

Mr Bisson: I understand very well what you're saying, and I understand what the auditor is saying, and I understood what the opposition members said, but I'm just trying to put on the record what I personally feel about this thing.

I understand where he wants to go, and I understand we need to try to do something to give the auditor the power to schedule other agencies outside of direct ministries. I haven't got an argument with that, but with this whole shift to the right, that if it don't make sense economically we don't do it, I want it on the record that quite frankly that's not what I stand for.

The Chair: But please understand, this is not the role of this committee. It does not have the mandate to determine questions like that. It can only examine what the government has determined is—

Mr Bisson: I don't want to get into debate with you, but the reality is that you can take a look at any policy of

any particular program within any government, no matter what the party, and make an argument financially that it doesn't make any sense. We all know what politics is about. I use those politics to my advantage. I just wanted to put on the record where I'm coming from. I'm not holding up the committee, and I'll let it go at that point.

The Chair: Mr Kimble. I'm sorry. Mr Sutherland.

Mr Sutherland: That's all right. A lot of people do that around here, Chair. That's no problem.

Certainly the minister, both in his correspondence to this committee and to the auditor, has indicated his support for having hearings on the Audit Act. I'm not quite sure that I'm willing to say, "Let's go ahead with the proposed changes as have been put forward without having any hearings." I think it's good that we have hearings, and I think the comments about some of the folks we want to have in—transfer payment agencies—my understanding is there are several people who are now in the private sector of accounting who have worked either here or federally for the Auditors General who have been involved with the accountants' institute or advisory groups to provincial auditors or whatever. There's a group of expertise there that we could call upon for some advice.

I also, though, believe that we shouldn't leave it solely to the transfer payment agencies. If we're going to be doing this, I think the employee groups should be invited in: teachers' federations, faculty associations, unions, CUPE, service employees etc. Those groups should be invited in for some comment on this issue of accountability. If you're talking about universities, the student groups should be invited in to provide some comment on these proposed changes. I'm just saying I think it should be a broader group than what has been talked about so far, and invitations should go out for them.

I believe the auditor reaffirmed his view about what type of things he wants to do in terms of the transfer payments to organizations, not transfer payments specifically to individuals, and his comments about the medical records, not the individual ones but the statistics from them. I think those are good things.

I just want to put a couple of comments on the record. My understanding is that at some point there have been other issues related to changes to the Audit Act, and not having been on this committee all the time, I don't know whether there has been some discussion about broader changes to the Audit Act as a whole rather than this specific change and at what point this committee would be looking at that, the whole act rather than one here, which needs to be examined.

I guess some clarification, then, as the legislative accountability framework is developed, in terms of how the auditor views this process: as a complementary process to that in terms of auditing the transfer payment agencies, or as something to do in the short term until that framework is developed, or as an ongoing process in conjunction with the accountability framework. I think that would be interesting. I just ask for some clarification on that and hope we'll be able to proceed. When we proceed is maybe a different question in terms of whether it's intersession or when the House resumes in the

springtime, but certainly I think everyone believes that we do need to proceed on the issue.

1050

Mr Peters: If I may comment on, firstly, the matter of the other changes to the Audit Act, the main thrust of the other changes was actually to move this office forward more squarely into value-for-money work; in other words, increase the value-for-money work and reduce the attest work. Quite frankly, I do not propose that, simply because the attest area has lately become far more important than it may have been in the past with the developments that have taken off in the industry, and with the ministry now going along with the PSAAB accounting rules we have a closer relationship. So we would like to retain the attest auditing and not do value-for-money auditing at the expense of attest auditing.

I think attest auditing remains the mainstay for us as far as the public accounts are concerned and as far as other activities are concerned. This was supported also by the one initiative that you particularly are familiar with, the capital investment corporations. I think we cooperated very well in establishing it, and also we now do, through the act, have the value-for-money mandate on those as well as the attest mandate, and we are pleased with that. So no amendment really shifting the audit activity of this office is necessary.

There's another reason for that, and it's to safeguard the independence and objectivity of this office, and that is rather to let us choose the kind of audits we want to conduct as opposed to having somebody else influence us in that way.

The second point you were raising was whether this is parallel. What I hoped for really in a way, and I tried to get at that in my statement, is that the audit activity will sort of kickstart it and pull the accountability framework in, because ultimately, when it is not something that is an interim measure that we can delete when it is in, what will happen is that my audits will be a lot more efficient when the framework is in place, because right now I have to free-form them, and these audits are expensive.

I'm very glad, and I want to re-emphasize this to this committee, these are discretionary audits; that means I only can do them if I have the resources available. If there is no legislative accountability framework, these are expensive audits. They're more expensive than they should be without that framework. That's why I had some fear and trepidation in putting this forward because I very often—and I've used the phrase before—am forced to audit into a vacuum, and you know what happens when we go all over the place. Those are two concerns.

When you talk about the accountability framework and the relationship to attest and value-for-money auditing, that is the other part why I made actually that comment about the involvement of the Ministry of Finance, not the minister. The minister is the sponsoring minister, but the Ministry of Finance, the bureaucrats in Finance are an audit team, just like any other ministry. So when you call for witnesses, we are certainly very pleased to hear from them as witnesses what their views are. But the amendments to the act are really a tripartite deal between the minister, this committee and my office.

The Chair: I've provided wide latitude. I'm going to try to keep a speaking list: The first on the list gets to speak and so on. I'll just try to keep it as informal as we can. I have Mr Crozier, then Ms Poole and then Mr Marchese. If you want to switch places, sure.

Ms Poole: I thank Mr Crozier for trading places with me because I have to go upstairs in about five minutes. I wanted just to make a couple of comments, first, about looking at the Audit Act as a whole. I think Bob Callahan and I are the only two members of the committee who were actually in the last Parliament on public accounts and are still on public accounts, so I think we have a fairly good perspective of how things have evolved, although some of the auditor's staff have also been around a long time as well.

The Audit Act, if you've ever seen it, is not a 100-page act; it's fairly short. I think it was seen that there was only really one gap in the act, and that was that the auditor has the right to go in and audit ministries and look at all sorts of records but the auditor does not have that right with the transfer agencies. It's not a matter of giving the auditor new powers for anything other than, with the transfer agencies, to give him the same rights as with the ministries.

Secondly, I understand the member for Cochrane South's concern about the auditor going in and deciding that something isn't worth it because it only serves a small number of people. As the auditor's pointed out, his job and his mandate is not to look at policy. So he would never, in any circumstance, be looking at whether that was a good policy. What he would be looking at is whether, given this policy, the ministry or the transfer agency is actually spending the money wisely to accomplish that goal. He doesn't question the goal, he just questions the accountability of how that comes about.

I would like to propose that this be a significant area for public accounts in the intersession, because as I say, if we don't deal with it now, I am convinced it will end up being left up to another Parliament. With people like Larry O'Connor and Rosario, who've been on this committee for several years now, and also Dr Frankford, I think we've got a certain level of—I wouldn't say expertise; that's going too far—knowledge among all of us as to the issues, and I'd hate to waste that potential.

Ms Sharon Murdock (Sudbury): Thank you very much to you too.

Ms Poole: But you weren't on all the time, Sharon.

Ms Murdock: No, I was referring to your own comments about yourself.

Ms Poole: I think it's really important we do this during the intersession. I would like to propose that we do it, as I say, towards the end of February, so that we would be sure to give everybody lots of notice; that we include the kinds of groups Mr Sutherland talked about, so that it's quite broad-based; that we spend a good part of the first two weeks in the hearings and then maybe the last day or day and a half we could go in camera to discuss a report. By then, I think we're into the March break, which would give Anne an opportunity to come up with a draft. Then if the House comes back, we then deal

with it in committee when the House comes back, and if the House does not come back, we could use hopefully our third week that the House leaders would have granted us to in fact write the report.

I think there's also a special provision that the committee can table a report when the House is not in session. I would also propose that we avail ourselves of that opportunity, because at this stage we're very uncertain about the next year, since it will definitely be an election year. It has to be an election year. We don't know when that election will come. I'd really hate to see the efforts of all members of this committee over the last four years be fruitless because we never had an opportunity to wrap up some of the thoughts we had on this very important issue.

Mr Bruce Crozier (Essex South): Just a few comments in support of this: I think this committee's objective should be, and in fact probably is, to take whatever steps are necessary so that the government and we can be accountable to the public. Therefore, I was surprised to find out that roughly 50% or 55% of the spending of the government isn't accountable to the public in this way. I think we should take steps to correct that.

I'm anxious to hear some of the witnesses in that in the past it would appear there were some transfer payment recipients who didn't care to have the Provincial Auditor into their domain. I would relish getting some of those witnesses before the committee to find out why it is that they're concerned about that.

I think sometimes we look at audits as being negative and damaging. I've gone through a number of audits in the private sector, being in business. Audits can be, and I think for the most part are, positive and helpful. So I think anyone receiving government money and anyone concerned about the spending of government money would find that these audits can really be positive and helpful.

1100

As far as when we should start is concerned, my opinion is that these hearings should not be part of any strategy. I think it's incumbent upon us to get at it as quickly as we can. In fact, I disagree to some extent with my colleague. I would like to see these hearings start no more than four weeks away, or the end of January. Possibly it can't be done before that, but I'm sure there are some witnesses who will be ready to go and we could hear them, and there will be others who will need more time to prepare and therefore we can hear them towards the end of our hearings.

I'm certainly supportive of this and I would urge the committee to move with it as expeditiously as possible.

Mr Rosario Marchese (Fort York): Just some quick things for the record: I support the role of this committee, and the role of it is to make everything that comes out of ministries more accountable and clear. I support the role of the auditor; I think his job is to do exactly what he's been doing. He and others have made the statement that it's not for him to set the policies but rather to make a judgement on what we then decide arises out of those policies in terms of fiscal accountability. I support that a

great deal. More than making politicians accountable, he makes the civil service accountable. Sometimes we worry that we as politicians are under greater scrutiny because of it. I argue that we make the entire civil service much more accountable for the decisions the politicians take. But if even in the process it makes us as politicians more accountable as a result of it, I think it's important to have that role, because I think for too long we've been much too lax. So yes, the various agencies and ministries have their own accountants, but in my past experience and present experience it's easy for accountants to make things clear in terms of their own objectives in the agency and the ministry, but it doesn't make them any more accountable in terms of the larger generic picture. This is where I think our auditor comes into play and I support that role.

I want to support Kimble Sutherland's comments about people we should be interviewing and I think it should be much wider in terms of the people who can comment on those things. You'll have people at the top commenting, and that's fine, but we need people in the middle and at the bottom commenting as well in terms of getting the various perspectives we need to hear, because everybody has a different sense of how we are spending or wasting those dollars that are committed to them. I think we need to have a wider net of people who should be coming before this committee.

The Chair: I'm going to take the Chair's prerogative and surmise that we've reached agreement in principle on this matter being the subject of hearings in the new year. I will suggest and recommend that we meet with the subcommittee, those of us who are on that subcommittee, to appropriately determine which witnesses will appear before us and make provision for that. Once we understand what time is granted to us for those hearings, we can make those determinations and move forward.

Before I do that, I would also say that the outline that has been presented to us by Ms Anderson is something that we should follow in terms of our framework and proceeding. It just essentially determines that we would support the statement that's made with respect to—the actual wording of the amendment that has been suggested by the auditor is included on the front page of that statement.

With respect to witnesses, I think the subcommittee can deal with that a little more fully and in detail, but essentially we've heard today that we would hear from as broad a viewpoint and perspective and include as many people as possible who would likely be affected by this amendment. We will endeavour to do that with respect to inviting witnesses before the committee.

Mr Sutherland: I certainly support what you're putting forward in terms of the subcommittee determining appropriate witnesses to invite. I just wanted to clarify, then: If we agree with what you're saying, you're suggesting that the committee endorse having hearings during the intersession. Is that correct?

The Chair: I took it that there was agreement in principle on that, and that we would proceed in that fashion. We've already asked of the House leaders for time to be granted to the committee for hearings.

Mr Marchese: When did we do that?

The Chair: We always ask for time in the intersession. That's normal for us to do.

Mr Marchese: We have to formally request that.

The Chair: We have formally requested it by letter.

Mr Sutherland: We have for this one already?

The Chair: Yes. Well, not just for this, but by way of correspondence between the Chair and the House leaders we've requested time, as we normally would, in the intersession. We set out that one of the items to be determined or to be discussed is these hearings. They will get back to us with whether we will be granted time to have hearings, or indeed any time to do anything on this committee. What we decide to do is our business.

Mr Callahan: If they come back and concur with either what we've asked for or something more or less, is it then up to us to set the dates for these hearings?

The Chair: No.

Mr Callahan: They set them.

The Chair: Well, we can suggest.

Mr Marchese: We formally ask, they agree or disagree, and then we set our own times.

The Chair: We can suggest.

Mr Callahan: No, I understand we don't.

Mr Marchese: We suggest three or four weeks and they agree to that.

The Chair: The actual time that's granted to us is determined by the House leaders.

Mr Callahan: Yes, but are the dates as well?

The Chair: The dates, I should say.

Mr Callahan: The dates are, so they tell us when we can sit.

The Chair: We're going to nudge them in a certain direction, obviously, having heard that we do need time to establish which witnesses will appear before us and the time lines, but that's a determination made by the House leaders.

Mr Larry O'Connor (Durham-York): In dealings with other committees I've been part of, it seems to me that the House leaders have suggested that the committees deal with the time for the intersession and request time or not, and that it be dealt with by the full committee and not by the subcommittee and not left up to the House leaders' decision. So what they're looking for is a recommendation from the entire committee, and that recommendation from the entire committee—

The Chair: It's not a difficult problem. We can write to the House leaders again, informing them that the committee did meet and that it is actually requesting a time for these hearings specifically and what those times are.

Mr O'Connor: I don't think the committee has actually dealt with that as a motion.

The Chair: It's not necessary. Correct me if I'm wrong.

Mr Marchese: Yes, it is. The committee has to request.

The Chair: But for the Chair to have asked for time, as we normally have asked for time. In fact, we did discuss this at previous meetings. There was reference made to the request for time during the intersession.

Mr Marchese: That was a while ago, though.

Mr Callahan: Why don't we formalize it?

The Chair: If the committee would like us to write to the House leaders and suggest that there was an error made, that in fact we're not requesting time, we can do that as well. It's up to the committee.

Mr Sutherland: I'd like to make a motion to the following, in fact: that the subcommittee be empowered to prepare a witness list for hearings on the proposed changes to the Audit Act and that those hearings are to commence when the House resumes in March.

Mr Callahan: Who says it's going to resume in March? They could bring us back any time.

1110

The Chair: Let me back up for a moment to accurately give you what has occurred.

We had discussions in the fall session around possible hearings on amendments to the Audit Act. There was a consensus at that time that we would during the intersession sit down, as we normally would, to discuss the auditor's report. That I took to be the case.

The House leaders then asked the clerk, if we require time, then the Chair should write to the House leaders and request time. Regardless of what business we were to discuss, the clerk and I discussed the fact that there's an auditor's report that has been released and there is certainly enough business for us to attend to in the intersession that regardless of what agenda we set for ourselves, we would request the time that's required.

If I'm hearing today that the committee desires that that not be the case, that we in fact not sit, that's an entirely different matter than what I've heard to this point. So please be accurate in what you're saying, because we have suggested on many occasions that this committee would meet in the intersession. If you'd like to make that the case now, we need to discuss that further.

Mr Crozier: I just want to say that if we don't get at this as quickly as we can—as in my remarks before, I don't see this as a strategic thing; I see it as a necessary thing to do. For whatever reason, it's been left to this date. The auditor has said there were reasons for delays. I'm afraid that, as was commented by my colleague, if we don't get this dealt with before the end of this session, someone may be sitting here four or five years from now and doing the same thing again. I think it's extremely important that we get at this matter, and I'm not sure why the member doesn't want to deal with it during the intersession. If it's simply a matter of cost, I'll volunteer my time, because I want to see this done and I'm shocked that the auditor has been restricted in this way in the past.

The Chair: For my own clarification, Mr Sutherland, am I to understand that it is your request that this committee not meet in the intersession?

Mr Bisson: I thought there was a motion on the floor.

Mr Sutherland: That was the motion I put on the floor, Chair.

The Chair: Well, I have to clarify that.

Mr Sutherland: Yes. That motion was put on the floor.

The Chair: If you want to put that in writing; otherwise, I will endeavour to—

Mr Sutherland: Yes, that's the motion I've put on the floor.

The Chair: Let me read what I think we understood your motion to be, and the clerk has kindly written it out:

Mr Sutherland moved that the subcommittee be authorized to complete a list of witnesses to be invited before the committee to comment on possible amendments to the Audit Act. Such hearings shall be held following the resumption of the House in the spring sitting.

Mr Callahan: Mr Chair, first of all, it's obvious we don't have our members to vote here and I have no idea how the government's going to vote on this issue, so I'm going to ask that it be deferred till the end of the hour so that people can get here. But the concern I've got is that we're proroguing, as you know, this afternoon, and when you prorogue, the government can call us back whenever.

Ms Murdock: March.

Mr Callahan: Our calender says March, but they could call us back in September if they wanted to. I would join with my friend Mr Crozier that this is an issue of paramount concern. We don't want to let it sit for another three or four years in that it could get caught in the cuff, and that could happen. I don't understand why, and maybe the parliamentary assistant to the Minister of Finance can tell us why, specifically, he does not wish to deal with this during the intersession. Maybe then I'll be able to understand better and vote in an appropriate way. But I don't understand why you're resisting it being done now and delaying it to when we come back because, as I say, there is no guarantee we will be back. It's up to the government.

Maybe I could ask a question of the parliamentary assistant. Can you give me a specific reason why you want to delay it to when we return as opposed to dealing with it during the intersession? If it is, as Mr Crozier says, that you're concerned about the fact that we're paid during the intersession, I would concur with Mr Crozier. I'd be prepared to do it on the cuff because I think this is important enough that it should be dealt with. Maybe you could tell us so I can vote intelligently—

Mr Bisson: You always vote intelligently.

Mr Callahan: —for the first time probably in the entire history of this place.

Mr Sutherland: Mr Callahan, let me just say this. I've indicated to you certainly my support and the Minister of Finance's support for proceeding with the hearings. I'm optimistic that we are going to be returning relative to our normal time according to the calendar. I think it's important that we get the witnesses lined up so that we don't have to go through organizational processes

when the House is back; we can get right into the hearings at that time. That's why the motion's put forth. But I think we can begin that process when the House comes back.

Mr Callahan: But you realize that if we prorogue, when we come back we will have to go through the organizational meetings and re-elect an entire—I think I'm right, Mr Clerk. We will have to in fact go through the organizational meetings of re-electing a new Chairman and so on. So the first meeting of the committee when we get back would be for that purpose, and we have a number of things on the agenda.

I'm sorry. You may be optimistic about us coming back, but there's no guarantee of that, and I think this is of such an important nature that if we want to hear from these people, now is the time to do it. I endorse your suggestion that we have people from the labour movement and so on. I think that makes good sense.

Mr O'Connor: I have a question of a technical nature, as was raised by my friend Mr Callahan. Can the subcommittee meet in the intersession or would it require unanimous consent in the motion that will be presented in terms of the bills that will be carried over through the intersession when the House is prorogued? Would it require something to be part of that motion?

The Chair: Technically, the amendments could not be upheld because the subcommittee would be disbanded once the House prorogues. Therefore, there is no subcommittee to meet.

Mr Sutherland: All right. Then I guess the motion's out of order.

The Chair: It's somewhat out of order.

Mr Sutherland: Okay, fair enough. That's the ruling.

Mr Callahan: Mr Chair, to bring this thing to a head, I move that we adopt the report, that the subcommittee get together and decide on the witnesses, set them up, and that we sit as soon as we're able to get time to sit.

The Chair: Let's try and clarify a couple of things here. I know Mr Callahan is moving something, but just to finish off on the motion that was put forward by Mr Sutherland, it is not technically out of order, but I would say that it would be if we did not have a motion that would have this committee continue to exist and that we would request that. I believe we would have to make that request, that the committee continue to exist.

Interjection.

The Chair: There are so many ifs. It requires a number of things for this motion to be technically correct. If we're granted time by the House leaders to sit any time after today, technically we would continue to exist, if that's what in fact the House leaders would permit us to do. That needs to be satisfied first, I believe, in order for this motion to be technically correct. I mean, we would assume by this motion that the committee would continue to exist, but it would hinge on whether in fact the House leaders would permit us to continue to exist. So this would technically be in order for you to place the motion. It would die along with the committee, shall we say.

Mr Callahan: Our existence is tenuous.

The Chair: Right. That's a moot point. If we do not get permission to sit, then this motion would cease to exist.

Mr Sutherland: That's fine. I think, though, given the information you've presented, I'm just as prepared to let the motion go.

The Chair: You withdraw the motion, Mr Sutherland?

Mr Sutherland: Yes.

The Chair: We'll deal with Mr Callahan's motion.
1120

Mr Callahan: I move that we adopt the report produced by our researcher and that we conduct hearings on a broader scale than perhaps mentioned in here, including unions and so on, but that that be left up to the subcommittee to determine, and that we conduct those hearings during the period of time that the House leaders give us permission to do so.

The Chair: While we try to write this out, is there any debate on Mr Callahan's motion? I will re-read it.

Mr Callahan: Do you want me to reiterate it?

The Chair: The clerk is making it easier for you by writing it out.

Mr Callahan moves that the direction for Audit Act hearings suggested in the research officer's paper be adopted and that hearings be held during the intersession if the committee is authorized to meet.

Mr Callahan: I had added the enlargement, but I guess that's something for the subcommittee.

The Chair: Yes.

Mr Bisson: Which research paper is that?

Mr Sutherland: Anne's, the one outlining the format.

Mr Bisson: Outlining this here, you mean? That's the one with the auditor's comment.

Mr Callahan: Call the question, Mr Chair. There doesn't appear to be any debate.

The Chair: Mr Callahan calls for the motion to be now put. All those in favour? All those opposed? The motion is defeated.

Mr Callahan: Well, goodbye.

Mr Crozier: I can't believe this.

COURT SYSTEM VISION AND HEARING TESTS

The Chair: We have Mr Callahan's two notices of motion which are to be discussed and debated this morning. These are noted on our agenda.

Mr Callahan: I'll be very brief, Mr Chair, and I hope that this doesn't go the same route as the last vote did. I don't understand why they voted that way. It strikes me that we have now become a partisan committee, for some reason. There seem to be notes being passed from people in the audience to members on the committee, particularly the assistant—

Mr Bisson: Politicians.

Mr Callahan: I find that really incredible, and I'm not satisfied with the reasons from the parliamentary assistant as to why this is being delayed. Having said

that, I've probably just blown my two notices of motion.

But let me deal with them in reverse order, if I might. The first one is, as you all know, Ontario suffered a shocking situation, and no, this is not a political comment at all. It was a backlog of cases in the courts where some 50,000 cases had to be withdrawn or stayed, cases ranging from impaired driving charges to assault charges and so on.

I think it's of some importance that despite the information that the Attorney General, I think in good faith, tries to provide to the House, I would prefer to have an independent person, ie, the auditor, under section 17 of the Audit Act conduct an audit—and it would not be an extensive one. I discussed with him earlier last week privately. It could be as much as just simply asking the chief judges of these courts to comment on the six items that I have listed in the notice of motion, namely "initial date proceedings commenced, number of adjournments, number of pre-trial motions, date trial is to be held, number of criminal cases that have or will reach their second-year anniversary before being heard, such further and other information as may affect the expeditious use of judicial resources."

I think this is of some significant importance. You may have read in the paper, and certainly there was a commentary in the House, about Mr Justice Wren staying a sexual assault charge which had reached its second-year anniversary, and I would submit that that certainly gave us an indication that on the horizon there might possibly be—that may have set the benchmark for further Askov or stay of cases under the Charter of Rights and Freedoms.

I think the real danger is that if we don't have the information collected by the auditor in an independent way so that the Legislature as a whole—and I wouldn't think just the government—can consider what steps might be taken in a deliberate and time-available fashion to preclude the possibility of us being faced with a similar situation that occurred in Askov, I think all of us, of all political stripes, will recognize that when something hits the fan that we weren't expecting, more often than not the decisions made in terms of trying to rectify them or cure them or slow them down are made in a precipitous fashion and perhaps are not the best way to do it.

I believe, and I can tell you from anecdotal evidence—I have talked to crown attorneys, I have talked to judges—this province is on very shaky ground in terms of Askov 2 becoming a reality. That being the case, I suggest that we should use this time before the bomb drops to have the auditor independently secure these facts in order to allow the government and, as I said before, the entire Legislature to perhaps in a non-partisan way deal with this issue.

My experience over the years has been that there has been very little movement by governments of whatever political stripe in terms of the judicial system. I think maybe that's because justice is not a terribly politically sexy issue until you have Askov or until you have cases where it impacts on us politically, and then it seems as though there's very significant movement.

So I'm hoping that members of the committee, despite

my shot at you about the other issue, would view this as a true issue that should be one reflected in the non-partisanship that normally prevails in this committee and that we can in fact ensure that we're not going to be caught in the crunch. I suggest to you that if this happens either before another government is formed or before this government is formed, that they can't deal with it promptly, it could be disastrous. You could have very serious, dangerous people wandering the streets who had in fact been granted a stay and walked away from the whole circumstance.

From the perspective of the public, that would be devastating. The public would view that as a failure of the justice system. They would no longer feel that the justice system was appropriately looking after their needs and it could result in what we've seen in the United States: vigilantism. Maybe you consider that to be farfetched, but we've come a long way in terms of emulating the United States in terms of what the results are of—

Mr Bisson: That speaks to my earlier point.

Mr Callahan: Okay, yes—but emulating the United States in terms of our justice system. We are possibly facing that fact. Every time the government is required to move to deal with the justice system in a precipitous fashion, without well-reasoned plans or approaches as to how we're going to cure it, we cause the justice system to lose just one more notch in the eyes of the public, and they'll take the law into their own hands.

So I would urge you to vote for that. Maybe, if I could, I'll put the other one forward and then I'll shut up and you people can debate it.

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The other one gives me really serious concern, and that's the motion I made that's before you. I've read it into the record before. What I'm calling for is a rethinking by the Ministry of Health and—

The Acting Chair (Mr Bruce Crozier): Mr Callahan, should we not take these one at a time?

Mr Callahan: My concern, Mr Chair, is that if I do that, I'll never get the second one on. We're going out of existence; we're dying today, according to the recent motion, so—

The Acting Chair: You can get the second one on and then we'll discuss them one at a time.

Mr Callahan: Okay, and then we can discuss them together.

Mr Sutherland: We'll let you get the second one on.

Mr Callahan: As you know, for those members who have been continuing members of the public accounts committee—and I think Rosario was, Dr Frankford, Mr O'Connor and others—we did a report on Correctional Services and we ascertained that some 80% of young people in young offender lockup are learning-disabled—again, an issue that from a political standpoint is not a terribly sexy political issue, but I think from a human interest and a human value purpose, we have failed these kids in this province by allowing them to slip through the cracks.

We heard from Dr Hurst, who came before us. I recognize that he anticipated that we had read all his material so perhaps he was not as clear in terms of telling you what his process was, but I can tell you that there is at least one board, the Muskoka board, that's interested in implementing his program; there was the success he had in the United States with this process, and just his association with a guy like Marshall McLuhan tells me that the man is credible.

I also had a friend who is a professor at the University of Toronto who dealt with kids at, I think it's Dellcrest, for a considerable period of time. She hires, I guess, or trains teachers. I had her sit in this room—you may have seen her—while Dr Hurst was talking, because she in fact doesn't believe there's any such thing as a learning-disabled kid. We have had many arguments over that. When it was finished, I asked her, after she had heard what Dr Hurst had to say—she said to me, "That man has got his finger on something very significant." You recall that was dealing with the question of eye tests.

Here we are—and I understand the reason. Perhaps it's a conservation of money or cutbacks, or perhaps it's laying the responsibility on parents to ensure that these kids get their hearing and vision tested at an early stage. If you look at it against the facts we've discovered, that 80% of the kids in young offender lockups are learning-disabled, that tells me that you're relying on parents to first of all be observant enough to ensure that the child is examined. I don't want to cast any aspersions on families, but I think families today are so busy trying to keep their heads above water by both of them working, and if they have a number of children it becomes very difficult for them to address this issue. They think it's being addressed in the school.

So if we allow this process to be withdrawn, I'm suggesting that we may very well have more than 80% in young offender lockup. When you look at the overall cost of that, which came out of that report, that the average cost of each young person in young offender lockup was about \$100,000—if we want to just look at it from strictly a fiscal standpoint, which I guess is the responsibility of the public accounts committee, that's an outrageous cost. If you want to look at it from the standpoint of retrieving these young people and ensuring that more of them don't join the ranks and wind up in there, then I think that we should be doing everything possible in order to ensure identification and treatment of these young people at the earliest possible moment.

I suggest to you that the actions by the ministry and the public health departments in this regard, although it may have been considered to be an appropriate measure—I think if they had waited against our report, perhaps, and what we've heard as committee members here in terms of the flotsam and jetsam that have resulted from the type of activity that has gone on to this point, they might have had a different approach to the entire process.

So I urge my colleagues again that I hope you would vote with your heads and not take to heart when I castigated you for being a bit partisan in terms of voting against the intersession hearings. I hope you would look

at both of these from the standpoint of them being very important. They have no political ramifications, as far as I'm concerned. I have no intention of trying to use this to score political points. I'm genuinely interested in both of these issues, in having the facts sufficient for decisions to be made by us as opposed to getting anecdotal stuff. That's all I really have to say about it. I'd certainly be interested in hearing the comments of other members of the committee.

Mr Sutherland: If I could just respond to the first motion, I think Mr Callahan's concern is certainly a valid one. All of us are concerned about the integrity of the justice system. Askov certainly did create some challenges for the system, but I do believe the ministry has responded very effectively.

I'll also note that the Provincial Auditor did do a significant audit of the criminal law process in the 1993 audit and there were recommendations outlined in that. It's also my understanding that as a result of that initial audit, officials from the Ministry of the Attorney General are supposed to be meeting with the Office of the Provincial Auditor some time shortly to go over an update from the 1993 audit. I don't know if exact meeting times or anything like that have been established, but that's the information that's been made to me, that there was supposed to be some discussion occurring shortly between the office of the auditor and the Attorney General to update on the results out of the 1993 audit.

I don't know whether that's satisfactory to Mr Callahan, that some of the issues he wants examined will be raised through those discussions that are already planned. That would seem adequate to me, but I'm not sure whether it will be to Mr Callahan, that the auditor will be following up on issues that were outlined in the 1993 report. I don't recall offhand, but I assume that some of the issues around dealing with the Askov decision were certainly reviewed by the auditor in that report.

Mr Callahan: Is anybody else dealing with the first one?

Mr O'Connor: Actually, the third one, but the first one you put.

Mr Sutherland: The justice one or the health one? Let's classify it that way.

Mr Callahan: Okay. Does anybody else want to deal with the justice one? Maybe I can respond.

Mr O'Connor: Go ahead. I want to deal with the health one.

Mr Callahan: I think the difficulty you have is that the auditor's report in 1993 dealt with Askov in the framework of what do we do to try to solve it, and I agree. I can tell you this as a practical matter, that there have been what they call pre-trials now to try and determine how issues can be shortened and how they can get the trials on for a faster hearing. But I have to tell you that despite the very remarkable and capable suggestions that were made, the reality of the day is that they're not working. You know what happens? Don't shake your head. Let me tell you what happens at a pre-trial.

At a pre-trial, the counsel go before a judge, the judge

asks them a few things and they say: "We can't determine this yet. We don't know whether this'll happen." In fact, most defence counsel consider the pre-trials to just be an opportunity by the crown to find out what their defence is, and they're not about to tell them. So the pre-trials have become, in the main, a waste of time. In fact, they've even exacerbated the whole system because in most jurisdictions, if not all of them, I think as a result of the directions perhaps from the Attorney General, you cannot set a trial date, at least in the General Division you can't, without having a pre-trial. In some of the jurisdictions you can't set a date in the family court without a pre-trial.

Maybe there are no issues to discuss at all in the pre-trial, so what happens is that you have a built-in delay because you have to set the pre-trial, and by the time you get to the pre-trial and you say to the judge, "Well, there's nothing to discuss," the opportunity to get a trial date has now advanced down the line by about three or four months.

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I've heard the Attorney General in the House, and I'm not for one minute suggesting that she's not being frank with the House about the experience of trials being dealt with, but what I am suggesting to you is that based on what I've been hearing out there from people who are in the system, she is not getting a full accounting of what's going on out there. I understand what you're saying and the auditor said that to me as well, that he didn't think at first—I don't know whether he's changed his mind, because he had done this audit in 1993. But the audit in 1993 was to identify the problems, suggest solutions, and I think the ministry came up with some solutions to it and I give it full marks for it.

But the fact of the matter is that it's not working, and that's the whole gist of my motion: Let's see how the policies that have been brought forward as a result of that audit of 1993 are doing, from an independent source. Then we're in a position to try to deal with the issue.

I understand what you're saying, Mr Sutherland, about the previous audit, but they're two different animals. That audit was an audit in response to an explosive issue that occurred, and I thought it was dealt with in a reasonable fashion. It had a tremendous impact on the public, as I said before, and I won't repeat it, in terms of administration of justice. Victims out there were astounded that these people just walked because of the delay.

What I'm saying is that we now have at least a year and a half of that process in place, and do we really know whether or not, through these techniques, we're achieving that result of ensuring that cases are not going to be stayed because of delay? It appears not. Justice Wren—a two-year trial. You go up to Newmarket and you'll find that the trials up there are approaching Askov. You go to other areas and you'll find that they're approaching Askov. I think that's a very significant concern, and all I'm saying is, don't leave it to the last minute and then try to remedy it, as happened with Askov. Every time you do that you reduce the public's confidence in the justice system and you make it more difficult for these people: these judges who are sitting

long hours to try to accommodate this whole situation; you make it tough on witnesses who show up for a trial and some counsel moves a stay and it's successful; it's tough on the police because they have to watch the people they've just arrested walking because of delay.

I suggest to you that what the auditor did before was great work, but we may have to press him into service again if we don't in fact send him out now on a little bit of a fact-finding mission to see just how we've done, measure the waterfront.

Mr Sutherland: If I could respond on this issue, then maybe we can bring this one to close, because I know we wanted to comment on the health one. Let me just say that pre-trials wasn't the only initiative instituted by the Ministry of the Attorney General. There were all kinds of other initiatives. You mentioned longer sittings, better management of court facilities, evening sittings in some cases, other initiatives like that. Of course, we've had the Martin report. It outlined some initiatives and also talked about how a lot of cases were settled through the use of pre-trials.

You mentioned that what the auditor did then was fine but we don't know whether those initiative are working. I assume, if the auditor's going to be meeting, that's what they're going to be asking, and they're going to be looking for those measures to prove the initiatives are working. All I'm saying is that I think what you're asking for is going to occur because the auditor's office is going to be meeting with the officials from the Ministry of the Attorney General to follow up on those issues, and those issues would be the implementation of the initiatives to deal with the Askov decision.

Mr Marchese: Very quick so we can get to the other matter, just some other quick points. I don't know whether Mr Callahan mentioned that, but there has been an alternative dispute resolution pilot project set up in Toronto which I think will go a long way in dealing with a lot of these problems that we have, and Toronto's a particularly terrible area for this.

The Civil Justice Review task force was established. I'd be interested to know whether there's any progress or what progress has been made with respect to the committee. If you were interested in that, I would be too, in finding out where they are at and what progress they're making with that committee; and would recommend as well, given that it is our understanding that the ministry officials are planning a meeting with the auditor, that we urge for that meeting to occur as quickly as possible. We might recommend that as well so that we can get that process out of the way.

The fact that we made some considerable progress since 1990 is of significant importance to me. Some of the statistics I have seen here say that in 1990 there were 205,000 criminal court charges pending and 74% of the charges were over eight months old, and as of September 9, 1994, the number of criminal charges pending had been reduced to 135,000 and the percentage of charges greater than eight months old had been decreased by 23%.

Mr Callahan: Whose report is that?

Mr Marchese: These are some statistics that I have seen from some ministry folks. I suppose if that's available to me, it would be available to the rest of you, but what that tells me is that we are seeing some reduction, and some of the practices in place may be working. But also the meeting that will take place with the auditor will continue the work that he had begun, so I would think the sooner they meet, the better. Are those useful suggestions?

Mr Callahan: Since the parliamentary assistant to the Minister of Finance had not wanted us to meet during the intercession on the question of the auditor's enlarging of powers, perhaps we could meet on this issue and have those people who are serving in the ranks come forward, as an alternative to the auditor doing it, and have these people from the ranks come and tell you what I believe to be the actual case. I think if you don't, you risk—

The Chair: Surely you jest.

Mr Callahan: No, I'm serious. I'm absolutely serious. You could have police officers or you could have a whole host of people coming before us to try to tell us whether our justice system is quite as healthy as seems to be suggested.

Mr Marchese: It's getting better, is the point.

The Chair: I think we should bring this to a conclusion. Shall we deal with the question before us? Those in favour of Mr Callahan's motion?

Mr Callahan: Recorded vote, Mr Chair.

The Chair: Recorded vote. Those in favour of Mr Callahan's motion, please say "aye."

Ayes

Callahan, Crozier.

The Chair: Those opposed?

Nays

Frankford, Marchese, O'Connor, Sutherland.

The Chair: The motion is defeated. We shall deal with the second motion by Mr Callahan.

Interjections.

Mr Callahan: I understand there are comments to be made and I'd be happy to hear those.

Mr O'Connor: I'd like to respond first to some of the issues my friend Mr Callahan has with some information I have been given by the Ministry of Health.

First of all, there was no decision made by the public health branch to rescind any funding for the portion of funding that goes for the pre-screening programs for the healthy children program. So the ministry hasn't made a decision in this light, though there are boards of health that have chosen to withdraw the screening process program. They've been related to efficacy and community effectiveness and then of course cost-effectiveness. In doing that, the public health branch has said: "Well, let's wait a minute. What's going on here? Let's review this." There is actually a technical review committee that's been designed to take a look at scientific evidence regarding the effectiveness of the program and what not, and they're expecting that the task of the review committee should be finished by the spring of 1995.

Perhaps what Mr Callahan might suggest is that the committee or himself, as member, send a note or a letter to the minister suggesting that the evidence as presented to us in committee by Dr Hurst be reviewed by this technical review committee of the public health branch. There is no decision made by the Ministry of Health to rescind the funding, is the point I want to make. Of course, the review that's going to take place will take a look at the role of the board of health with early identification of vision, hearing, speech and language problems. There is actually work being done in that regard. I'm sure Mr Callahan, if he wishes, and I can talk further about this and maybe send something jointly, if not through the committee, to this branch within the ministry. I know my colleague Dr Frankford also had some comments he wanted to make in this light.

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Mr Robert Frankford (Scarborough East): I think we should listen carefully to what the parliamentary assistant has said. I think it's reassuring that the matter is under study and review. I don't feel any arbitrary decision purely based on funding has taken place at all. I think, even more than that, there is an examination of policy around screening. Although I found the presentation quite interesting, the point that there may well be problems of offenders that relate to unrecognized visual and hearing problems—and that's an interesting thesis to pursue—I think we should be looking at policies around screening, whether they are universal or targeted. I think this is well worth looking at through these hearings that are going on within the ministry.

There's a risk if it's a blanket screening that will largely be looking at normal children, which is something that will happen if you make something a stringent blanket recommendation—or in fact be identifying children who have been previously identified. I think when we're looking at resources and just the effectiveness of screening approaches, there's a lot to be said for looking at populations at higher risk.

One population, I think it's fair to mention, at high risk around hearing is the native population. I think I'm correct in saying there are significant overall hearing problems in certain areas relating to ear infections. If there is targeting based on significant identified factors, I think that's going to be much more effective than calling for an overall policy from public health. Public health certainly can make requirements, and we see that in the requirements for immunization around school entry, which I think is agreed on as a valid policy, although even there you get into questions about what happens when parents refuse it on grounds of belief and, perhaps more seriously, what happens when children come in from other jurisdictions as immigrants, when there is a risk that the immunization records may not appear complete, what is the school and public health policy supposed to be?

I just also note that there is a series of recommendations about periodic health exams which are guidelines for practising physicians, and that certainly does put in recommendations about hearing and vision screening. These things mentioned I think are likely to be coming

up at ages which are not related to school entry. The flag might well be raised at an earlier age in a child care situation. Again, there are some recommendations around health in child care centres. There are immunization requirements. I think the whole situation is a lot more complex than just going with this recommendation would suggest.

Since, as the parliamentary assistant stated, there are broad-based discussions on policy going on, I think we're much better off just leaving it at that and not making any motion that Mr Callahan has brought forward.

Mr Callahan: I've spoken with some of the members of the government and I don't think this is going to pass as is, but there was a helpful suggestion made. I'm going to ask that, either through unanimous consent or a vote, this be referred to that health committee as a public accounts motion, which may give it a little more recognition. I don't know whether everybody would be in agreement with that.

Mr Marchese: Sure. You can move that or we can.

Mr Callahan: I'd like to move that, seeing as how part of the loaf is better than none.

The Chair: I think what's required here is that you withdraw the motion and then, by agreement of the committee, we will forward it to the other committee.

Mr Marchese: It's the technical review committee.

Mr Callahan: Fine. I'm content to do that. Finally, since we self-destruct in about two minutes—

The Chair: On this matter?

Mr Callahan: On the matter of our self-destruction.

The Chair: No, Mr Callahan. I think if you did that, we'd have to allow everyone to have a say, and I don't think it's appropriate at this point.

Mr Callahan: I'm just curious. I asked Mr O'Connor, and this is going to be my Christmas present to you, that there must be a reason you're clearing the decks. Does that mean there's going to be an election before we come back? I suspect that must be the case.

Mr Marchese: It's a rhetorical question.

The Chair: Let me have the final say here, since we are ending this session. Should we in fact by some fate not reconstitute ourselves or see ourselves on this committee as we have been for some time, I'd like to thank everybody on the committee for having participated in what I think has been a generally good experience for all and I think a very positive one. Even though we haven't made the strides we would have liked to have made, I think we have made some strides in fact and have contributed a lot. I'd like to thank you, and I think Mr Peters would also like to say something.

Mr Peters: Yes. I'd like to express to the members who are here my appreciation for the work you have helped me do.

Mr Marchese: Likewise.

The Chair: Thank you very much and have a good holiday season, if we don't see each other. We're adjourned.

The committee adjourned at 1158.

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***Acting Chair / Président suppléant:** Crozier, Bruce (Essex South)
***Bisson, Gilles** (Cochrane South/-Sud ND)
***Callahan, Robert V.** (Brampton South/-Sud L)
***Frankford, Robert** (Scarborough East/-Est ND)
***Marchese, Rosario** (Fort York ND)
 Marland, Margaret (Mississauga South/-Sud PC)
 Martel, Shelley, (Sudbury East/-Est ND)
***O'Connor, Larry** (Durham-York ND)
 Perruzza, Anthony (Downsview ND)
 Tilson, David (Dufferin-Peel PC)

**In attendance / présents*

Substitutions present / Membres remplaçants présents:

Murdock, Sharon (Sudbury ND) for Mr Perruzza
Sutherland, Kimble (Oxford ND) for Ms Martel

Also taking part / Autres participants et participantes:

Peters, Erik, Provincial Auditor

Clerk / Greffier: Decker, Todd

Staff / Personnel: Anderson, Anne, research officer, Legislative Research Service

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